

Austria	Schell	100.00	100.00	100.00	100.00
Belgium	100.00	100.00	100.00	100.00	100.00
Canada	100.00	100.00	100.00	100.00	100.00
France	100.00	100.00	100.00	100.00	100.00
Germany	100.00	100.00	100.00	100.00	100.00
Italy	100.00	100.00	100.00	100.00	100.00
Japan	100.00	100.00	100.00	100.00	100.00
Spain	100.00	100.00	100.00	100.00	100.00
Sweden	100.00	100.00	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00	100.00	100.00
UK	100.00	100.00	100.00	100.00	100.00
US	100.00	100.00	100.00	100.00	100.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

MIDDLE EAST
Deal-maker Baker
leans on Shamir
Page 4

FT No. 31,176
THE FINANCIAL TIMES LIMITED 1990

Monday June 18 1990

D 8523A

World News Business Summary

EC considers moves to show displeasure with Romania

The Romanian parliament is expected to swear in Ion Iliescu as President today while in Luxembourg EC foreign ministers review what action they might take to show displeasure over the Romanian Government's crackdown on protesters last week. Page 20

IRA suspect charged

IRA suspect Donna McGuire was charged at Turnhout, Belgium, with carrying a false passport, use of a false name and criminal association, after being found with two men firing guns in a Belgian wood. One of her companions, captured by Dutch police, was awaiting extradition back to Belgium, while a hunt continued for the other. Page 2

Pravda warning

The editor-in-chief of Pravda, the Communist Party daily, has warned that the party which has ruled the Soviet Union for 72 years must either reform itself at a crucial congress next month or risk extinction. Page 2

Ceasefire broken

Tamil separatist guerrillas and government troops clashed in north-east Sri Lanka, breaking a fragile day-old ceasefire, security sources said. Page 2

Election violations

The second round of Bulgaria's first multi-party election in more than 40 years was marred by violations and several cases of overt intimidation, foreign observers reported. Picture, Page 2

Accord stalled

The renegade tactics of the only Aboriginal member of the Manitoba legislature have succeeded in stalling approval of Canada's Meech Lake constitutional package, while unleashing the most vigorous protests in years by the native community against political discrimination. Page 4

Party debate banned

President Daniel arap Moi of Kenya ordered an end to a three-month debate on the merits of a multi-party democracy, saying the country was firmly behind him and the sole legal party, Kanu. Page 3

Vietnam tightens net

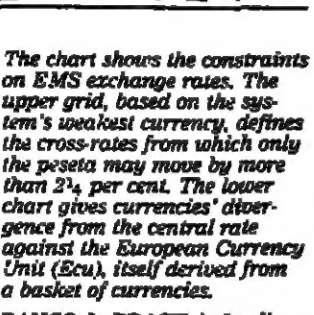
Vietnam, tightening its security net against what it calls an insidious threat, has discovered 30 local companies operating illegal joint ventures with foreign companies and 200 foreigners entering the country illegally. Page 3

Mexico privatises telephone company

The Mexican Government is offering 20.4 per cent of its majority holding in Telefonos de Mexico in the first stage of a major privatisation exercise, the Ministry of Finance has announced. Page 23

EUROPEAN Monetary System

The Spanish peseta and Italian lire were the firmest currencies within the EMS last week as they strengthened, particularly against the French franc. The franc could remain towards the bottom of the grid as long as a rise in French interest rates is thought to be unlikely. Page 23



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's lowest currency, defines the cross-rates from which only the peseta may move by more than 2% per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (ECU), itself derived from a basket of currencies.

BANCO DE BRASIL

is funding \$60m complementary credit to allow completion of first stage of Parana's Chacabuco irrigation project. Page 6

MOSCOW NARODNY Bank

Soviet-owned British bank, has received a capital injection from its Soviet shareholders. Page 23

SPAIN is dismayed by West

German Bundesbank proposals to create a "two-speed" process towards European Monetary Union. Page 2

CS HOLDING, Swiss financial

holding company whose subsidiaries include Credit Suisse and CS First Boston, is raising \$1.5bn through a group of international banks. Page 22

AVONDALE INDUSTRIES

New Orleans-based ship builder, prepares offer to build Phoenix World City, a 250,000-ton cruise liner. Page 6

Finance chief says extra DM5bn a month needed to pay wages: 30% of companies may fail

E Berlin details credit needs after union

By David Goodhart and Leslie Collitt in East Berlin

EAST GERMAN companies will require between DM5bn (\$2.96bn) and DM6bn a month in new credits after monetary union with West Germany on July 1 merely to pay wages, according to Wolfgang Zeissig, head of financial planning in the East German Finance Ministry.

Mr Zeissig said in an interview that an international consortium of more than 30 banks was on the point of signing a lending agreement with the Treuhandanstalt, the East German state agency, which owns most of industry, to help overcome industry's short term liquidity crisis.

The Finance Ministry official said that up to one-third of East German companies will be dependent on credit to pay most of the wages bill for at least three months after monetary union.

Many companies in the consumer goods sector, whose goods have been rejected by East German wholesalers, are

caught in a serious liquidity squeeze and are preparing for extensive shutdowns and unemployment. Some are already paying wages out of credit.

"Many companies are unable to pay their wage bills this month and are being pressed by the banks to repay their loans," Mr Hans Neumann, another official in the East German Finance Ministry said. Mr Zeissig said the trust agency, which is charged with overseeing privatisation of industry, will act as the guarantor for loans made by the consortium and, in conjunction with the East German economic Ministry, will check all liquidity problems of East German industry.

The liquidity loans from the banking consortium come on top of credit of DM7bn this

year and DM10bn next year that the West German Government has committed the trust to raise to help companies with new investment. The trust is likely to be divided into between 5 and 8 departments to deal with the credit and investment needs of different industrial sectors.

The consortium consists mainly of West German banks but also includes financial institutions from France and the US. Mr Zeissig said that the West German Bundesbank had been encouraging West German commercial banks to join the consortium.

He also emphasised that notwithstanding the short term liquidity problem of East German industry the real debt problem of the corporate sector is around the West European average in relation to assets.

After July 1 the total debt of East German companies, converted at two East German Marks to one Deutschmark, will be about DM120bn. But

there is continuing pressure for complete debt forgiveness in some sectors, despite opposition from Bonn.

Mr Zeissig revealed that special consideration was being given to companies that have recently taken on large credit commitments as a result of re-equipping with expensive Western investment goods. "We might consider a more favourable debt conversion of four to one for companies in this position," he said.

He specified heavy investment by East Germany's chemicals, energy and electronics industries, and added that over 3 million pieces of Western machinery have been acquired in recent years. Mr Wolfgang Pohl, East German Economics Minister, has also raised the possibility of debt forgiveness for the chemicals and energy sectors. On the East German public sector deficit for this year, he said he was confident of sticking close to DM15.5bn for the first half of the year.



West German Chancellor Helmut Kohl in East Berlin as politicians from both sides of the border commemorated a 'Day of German Unity'

Lithuania considers Moscow offer

By Leyla Boulton in Moscow

THE REBELLIOUS Lithuanian parliament will tomorrow consider whether to suspend its independence declaration in return for formal secession talks with Moscow and the probable ending of a harsh economic blockade.

The Lithuanian President, Vytautas Landsbergis, said yesterday that the parliament would not discuss an offer of independence declaration in return for formal secession talks with Moscow, but that he did not expect a quick decision. He did not know whether deputies would accept the compromise put to him last week by Mr Mikhail Gorbachev, the Soviet President.

"This is a serious offer... but it would be dangerous to rush into a decision," he said.

in a telephone interview. Mr Algys Cekulolis, a Communist deputy and newspaper editor, said "only a glib lady" could tell whether parliament would accept a deal with a Kremlin.

However, he said that most of his compatriots were still suspicious of Moscow.

"The new people at the Kremlin are saying they're not Stalinists. That's very nice but they're the same people who sent paratroopers to our city and imposed an economic blockade," he said.

The Lithuanian Government has proposed that parliament should declare "temporary moratorium" of the March 11 declaration for the duration of secession talks.

The moratorium would end immediately if negotiations were broken off, it said in a statement issued on Saturday. It also demanded an immediate end to Moscow's economic sanctions.

Two months ago today, Moscow cut off crude oil supplies to Lithuania's only refinery, and slashed daily gas deliveries by 80 per cent in an attempt to force the Lithuanian republic into an unconditional surrender.

The blockade has brought Lithuania's industry almost to a standstill and has put 40,000 people out of work.

"We have been without hot water and heating for a long time," said President Landsbergis, explaining why his voice was heavy with a bad cold.

Mr Gorbachev made his offer to Lithuania on the same day he outlined his vision of a future Soviet confederation of sovereign states, with individually tailored ties with the centre.

Pressure from his arch-rival, Mr Boris Yeltsin, the newly-elected Russian president who threatened to set up direct trade and co-operation links with Lithuania, also certainly helped Mr Gorbachev to work hard for a solution.

Lithuania in turn has been pressed towards compromise after discovering, to its dismay, that western democracies were unwilling to offer it concrete help, either by recognising its independence or giving it alternative energy supplies.

Timetable of Lithuania's independence struggle

MARCH 11: New Lithuanian parliament declares restoration of independence, lost in 1940 when Soviet Union absorbed Lithuania as part of deal with Hitler. Vote carried by 124 votes to none, with six abstentions.

MARCH 15: Congress of People's Deputies, the Soviet Union's supreme constitutional authority, declares Lithuanian resolution invalid and says it is still bound by Soviet constitution.

MARCH 29: US President George Bush appeals to President Gorbachev for peaceful solution to Lithuanian crisis. Without recognising Lithuanian independence, he states US support for Lithuanians' right to self-determination.

MARCH 31: President Gorbachev warns of dire consequences if Lithuania does not recant independence. Soviet troops occupy the offices of Lithuania's chief public prosecutor.

APRIL 18-19: Moscow cuts off oil to Lithuania's only refinery, followed by an 80 per cent reduction in the republic's gas supplies. According to the President the republic can "hold out 100 years without gas or oil."

JUNE 12: Mr Gorbachev, in first hint of compromise, says Lithuania needs to suspend independence declaration only for duration of negotiations. Meets President Vytautas Landsbergis who returns to Vilnius to put offer to parliament.

JUNE 13: Soviet Prime Minister Nikolai Rykov says Moscow is prepared to ease its economic blockade on Lithuania.

JUNE 16: Lithuanian government proposes that parliament declare "temporary moratorium" on independence act for duration of negotiations with Moscow.

Deadline for public sector cuts is acid test for Collor de Mello

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernandez Collor de Mello today faces his biggest challenge since taking office three months ago, as he confronts the deadline for his proposed sacking of 350,000 members of the country's powerful bureaucracy.

The dismissals will drag him into a quagmire of legal and constitutional restrictions and will force a head-on collision with business and old-style politicians, who use the bureaucracy as a network to secure jobs and contracts.

So far 10,000 job cuts have been announced in the ministries and 13,000 at Petrobras, the state oil corporation, where a strike is now under way.

Ministers have already admitted that the number sacked is more likely to be 120,000 than the 350,000 initially promised, but the move is integral to the success of Brazil's radical economic adjustment programme, announced by President Collor within hours of his inauguration.

President Collor pledged to stem inflation, which had hit a monthly rate of 73 per cent, and to turn the fiscal deficit of 8 per cent of gross national product into a surplus of 2 per cent through measures that included a wage and price moratorium, a freeze on 80 per cent of savings, cuts in government spending and the opening of trade barriers.

However much of the money frozen is already in circulation. Monthly inflation has once more reached double figures, and plans to sell off one state industry a month have been delayed.

Although the difficulties have been related more to implementation than to strategy, inevitable comparisons are being drawn with three previous plans in the last four years, all of which failed.

Mr Roberto Teixeira de Costa, a leading economist, said: "So far there has been more rhetoric than results. Rightly or wrongly, people are looking at public sector cuts as

a test of President Collor's commitment."

The administration hopes to save at least 1 per cent of the country's gross national product by firing personnel from the 1.6m strong federal payroll. Although wasteful public spending is a favourite hobby horse of Mr Collor, many doubt whether he can maintain this stance with congressional elections approaching in October.

If Mr Collor tries to force the dismissals through by decree he is likely to fall foul of the constitution, which guarantees life tenure to those public servants with five years of service. Moreover, the very bureaucracy he is trying to cut is charged with implementing the plan and thus is in the perfect position to sabotage it.

Mr Roberto Macedo, head of economics at Sao Paulo University, believes that President Collor is becoming the victim of his own deadline. "President Collor is a rich kid who always had his own way and had no

Continued on Page 20

James Capel®

UK Performance

THE BUCKFAST HONEY BEE
Arguably the world's finest bee, it was bred at Buckfast Abbey by Brother Adam OBE, who began his work on bees in 1916. It is a reliable, industrious worker, highly resistant to disease and a prolific producer of outstandingly delicious honey.

James Capel's three UK funds work hard to achieve successful investment returns for your money over the long term.

The James Capel Capital Fund is designed to give you long-term capital growth, primarily from UK companies with above-average growth prospects.

The James Capel Income Fund invests in UK companies and aims to give a yield of around 25% higher than that of the FT-A All-Share Index. And the James Capel UK Index Fund is designed to mirror the performance of the FT-A All-Share Index.

The choice is yours. To find out more about how to achieve growth of capital or income with less risk please contact your professional adviser or return the completed coupon or FREEPHONE 0800 289 505.

The right reward for the right risk

To: James Capel Unit Trust Management Limited, FREEPOST, London EC2B 2TB. Please send me more information on the James Capel Funds investing in the UK. No stamp required.

NAME: _____
ADDRESS: _____
POSTCODE: _____
TELEPHONE: _____

James Capel®
UNIT TRUSTS FROM THE GLOBAL INVESTMENT HOUSE

James Capel Unit Trust Management Limited, 11 Abchurch Lane, London EC4N 3DF. Registered at 11 Abchurch Lane, London EC4N 3DF. James Capel is a registered company with the Registrar of Companies, which provides information on its website. THE FUND'S INVESTMENT PERFORMANCE IS NOT GUARANTEED. FT/AD

CONTENTS

THE MONDAY INTERVIEW

Nissan chairman Takashi Ishihara is in no doubt about what lies at the root of US-Japanese trade tensions. Japan makes goods the world wants, and the US does not. Page 36

Overseas	2-6	Businessman's Diary	18
Companies	23	Crossword	31
Britain	8-13	Currencies	31
Companies	25	Editorial Comment	31
Analyst's View	17	International Bonds	22
World Guide	17	Financial Daily	21
Building Contracts	18	Initial Capital Markets	21

FT SURVEYS THIS WEEK

Semiconductors: European makers prepare for battle with the Japanese	6
Managements: Should West German companies reclaim their plants in the east?	14
Steel Industry: Fusions that aim to safeguard the future	19
Margaret Thatcher: How to stop her isolating Britain in Europe again	20
World Trade: Selling to the new-look Soviet Union is not easy	20
Corporate finance: New opportunities open up in eastern Europe	21
Belgium: Political stability but economic uncertainty	21
Letters	19
Wall Street	24.55
London	32.33
Management	14
UK Gilts	34
Monday Page	36
Money Markets	31
Observer	18
Unit Trusts	27-30
Stock Markets	28
Weather	28

Corporate Finance
The wave of acquisitions in the US and the UK peaked in the last 18 months of the 1980s, leaving the corporate finance industry in a state of flux.

TODAY: Corporate Finance: see panel. Belgium: A new sense of stability.

TUESDAY: European Finance and Investment: West Germany.

WEDNESDAY: Staffordshire: fresh attractions for investors.

FRIDAY: International Courier and Express Services: companies jostle for position. FT Review of Business Books.

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 3 PLC

Class C-1 Mortgage Backed Floating Rate Notes
Due October 2023

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class C-1 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-1 Notes") of Mortgage Funding Corporation No. 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 21st October, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 21st October, 1988 (the "Agency Agreement") between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class C-1 Notes, Class C-1 Notes in the amount of \$9,000,000 will be redeemed on 2nd July, 1990 (the "Redemption Date"). The Class C-1 Notes selected by drawing in lots of \$100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS C-1 NOTES OF \$100,000 EACH BEARING
THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number
18	97	180	249	356	399	463	537	601	659
730	841	894	995	1142	34	131	181	272	357
408	494	557	616	675	744	844	910	1016	1152
140	214	323	366	416	507	598	624	676	757
851	937	1046	1164	79	145	234	331	367	436
515	599	636	710	783	875	943	1089	1178	92
166	246	346	378	458	527	600	651	723	812
890	953	1093	1182						

The Class C-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company
of New York
PO Box 161
1 Angel Court
London EC2R 7AE
Union de Banques Suisses
(Luxembourg) S.A.
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
B-1040 Brussels, Belgium
Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Administration

In respect of Bearer Class C-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class C-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 3 PLC
By: MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Principal Paying Agent

Dated: June 18, 1990

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class C-1 Notes to the paying agency's New York Office.



May 31, 1990

Kanematsu USA Inc.

has acquired

Diemakers, Inc.

The International Harvest Group,

of Delaware, Ltd.

30 Broad Street • New York, NY 10004
(212) 480-1100

IHG acted as financial advisor to Kanematsu USA Inc. and assisted in the negotiations. IHG is a private investment bank specializing in corporate finance and cross-border advisory services.



Italian International Bank Plc

US \$45,000,000

Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from June 18, 1990 to December 18, 1990 the Notes will carry an Interest Rate of 8 1/4% per annum and the Coupon Amount per US \$10,000 will be US \$435.26

The Agent Bank
KREDITBANK
S.A. LUXEMBOURGEOISE

COMPAGNIE DE SAINT GOSMAN
PUBLIC COMPANY WITH A CAPITAL
OF FRF 6,250,000,000
REGISTERED OFFICE:
"LES BERNARDS" 14, avenue d'Alsace -
92099 COURMAYEUR
R.C.S. SEINTE-DENIS 94.045.055
TITRES PARTICIPATIFS OF 1,000 FCU
EACH

The Ordinary General Meeting of the
holders of titres participatifs April 1994
of FCU 1,000 each issued by Compagnie
Saint-Gosman held on May 30, 1990
appointed as representatives of the
holders in accordance with the clauses
of the law no 10-857 dated July 24, 1985:

Marcus HOLLIER LAROUSSE
Marie-Louise LIVING IN VINCENNES
(75203) 10, rue Hippolyte More
Marian NGUYEN-ADAM
living in PARIS (75004) 21, rue Saint
Croix de la Bretonnerie

And as substitute representatives:
- Mlle MARIE-LEONIE PERRIN
living in PARIS (75012) 12, rue Robert
Deshayes
- Mlle MARIE-LEONIE PERRIN
living in PARIS (75003) 26, rue
Benoit-Lévy

This notification is published in accordance
with the article 40 of the law no 10-857
dated March 25, 1987.

INTERNATIONAL NEWS

Pravda editor warns Party of 'extinction'

By Leyla Boulton in Moscow

THE editor-in-chief of Pravda, the Communist Party daily, has warned that the party which has ruled the Soviet Union for 72 years must either reform itself at its crucial congress next month or risk extinction.

"Either the party changes and becomes a new party with democratic principles or it will lose all authority in society," Mr Ivan Frolov, a close ally of Soviet President Mikhail Gorbachev, told the Financial Times.

Mr Frolov, a member of the party's policy-making central committee, said it was too early to tell if the party would split, as many predict. "Perhaps there will just be a splintering."

But the 60-year-old former academic

also said that a conservative ramp could not survive if democratic forces left the party. "Intellectuals, peasants, workers would not support it... I myself would have nothing to do with such people."

The warning came as radicals and conservatives stepped up preparations to get their way at the 28th congress of the party of Lenin and Stalin.

Supporters of the radical Democratic Platform (DP) held a weekend congress in Moscow's October Cinema to consider tactics for moving towards a social democratic type of party.

The DP, which wants fully democratic decision-making and an end to a ban on factions within the party, last

night threatened to form a breakaway group if their demands were not met. Tomorrow, conservatives get their chance to rally.

When Mr Gorbachev opens the founding congress of the country's first Russian Communist Party, although DP supporters and other Russian members of the CPSU will attend the week-long meeting, the new party is widely seen as a focus for hardliners such as Mr Boris Gidaspov, the Leningrad Communist party boss.

Mr Gidaspov, a fierce critic of the Soviet leader, told Pravda on Saturday that the new party should unite "all honest, thoughtful Communists faithful to the ideals of October".

Mr Gorbachev gave the new party the

green light a week ago, but only under duress, as part of a bid to steer a middle course between his conservative and radical critics. The concept of a purely Russian Communist Party had been resisted by Soviet leaders, starting with Lenin, who have argued it would give too much influence to the Russian Federation, the Union's largest republic.

Mr Frolov, disclosing that Mr Gorbachev planned a big speech at the Russian party meeting, said it was too early to tell whether the party would be a bastion of conservatism.

"We hope it will be a force of consolidation but only this week's meeting will tell whether it is a force of consolidation, or of dismemberment," he said.

Bundesbank Emu proposal upsets Madrid

By Peter Bruce in Madrid

SPANISH Government and central bank officials are reacting with dismay to proposals last week by the West German Bundesbank to create a "two speed" process towards European monetary union, with Bonn, Paris and the Benelux capitals fixing their exchange rates soon and weaker Community economies being invited to join later.

A senior Finance Ministry official has called the proposal "extremely worrying" and the governor of the Bank of Spain, Mr Mariano Rubio, has warned that a two-speed union could have "serious consequences" for the smooth functioning of the Community.

Mr Karl Otto Pöhl, president of the Bundesbank, made the suggestion last Monday after briefing EC Finance Ministers

in Luxembourg on preparations for the creation of a European Central Bank. His French counterpart, Mr Jacques Delors, later enthusiastically supported Mr Pöhl. Mr Rubio told the Financial Times the proposals were "premature".

EC governments had already agreed on a broad timetable for implementing the recommendations of the Delors committee on monetary union in three phases - starting this July with the lifting of controls on capital movement by some governments - and he believed the process should be adhered to.

"This is a very delicate matter," he said, "and could have serious consequences for the functioning of the Community. Given that monetary union is the most important political

project in the Community, it should be left up to governments."

Although both Mr Pöhl and Mr de Larosière appeared to suggest that Italy, which recently narrowed the band within which the lira fluctuates in the European Monetary System from 6 per cent to 2.25 per cent, might also become a starter member of a system of fixed exchange rates, he clearly excluded Spain and Britain, which has yet to join the exchange rate mechanism of the EMS. The peseta has been in the ERM for a year.

Under a dual-speed union, the Community's high-inflation countries would be invited to join the others when they had achieved sufficient convergence with them and were less likely to need to manipulate

exchange rates. Britain opposes the proposals and the Bank of Italy reacted coolly to them late last week. Mr Pierre Bérégovoy, the French Finance Minister, has also criticised Mr Pöhl's proposals.

Mr Rubio said it was impossible to tell what state the different EMS economies would be in in four years, when the final phase of the Delors process might be reached. It was too early to decide now which countries would join, or remain out of, a monetary union.

Although Spain is still grappling with annualised inflation of 8.8 per cent, he said he had no doubt that the country could drop the rate of price rises by a points and match current inflation in France.

Spanish income tax reform to boost saving

THE SPANISH Government plans steep cuts in capital gains tax, from 56 per cent to 35 per cent, as part of a sweeping income tax reform designed to stimulate savings and to cut the fiscal burden on wage earners, Peter Bruce writes.

A white paper published at the weekend also proposes an increase from 2 per cent to 5 per cent in allowances on income from savings, and five points in the top marginal rate of income tax of 56 per cent, a lowering of the minimum marginal rate from 25 per cent to 20 per cent, and the non-payment of any tax for

some 2m people earning under Ptas 25,000 a year.

The white paper will go to parliament, where the governing Socialist Party has a working majority, after the summer break. Mr Carlos Solchaga, the Finance Minister, said the essentially populist measures would leave 90 per cent of wage earners paying less tax.

The Government, though, is likely to make up any shortfall in tax revenues by raising indirect taxes and by reducing corporate tax deductions. It plans to phase in a new tax system for entrepreneurs and professionals from next year.

By cutting capital gains tax

to the corporate tax rate of 35 per cent, Mr Solchaga clearly hopes to stop wealthier Spaniards converting themselves into companies to escape high personal taxes. The proposals will free property bought before 1978 from capital gains tax, and make only property bought and held since for less than a year liable to the full 35 per cent.

Mr Solchaga, who is proposing the creation of a special police force to fight widespread tax fraud, also wants portfolio investments by non-residents to be tax-free, so that foreign capital continues to be attracted. Although the white

paper suggests raising dividend taxes for residents from 10 per cent to 15 per cent, it commits the Government to easing tax on more simple forms of savings.

Although many senior Finance Ministry officials, including Mr Solchaga, are openly sceptical about the effects that tax cuts can have on savings, public opinion has more or less forced them to experiment. The proposals are at least likely to ease tensions between the Government and trade unions, who insist that wage earners have not benefited enough from the country's recent economic growth.

Army inertia blamed for Romania turmoil

Bucharest's leaders have become hostages to violent forces, writes Judy Dempsey

THE Romanian government says it called out the miners last week because it could not rely on the army to crush "fascist forces" which had attempted to take over the country.

But the government has again failed to spell out who was behind the planned coup d'état, nor did it apologise for the wave of terror which swept through the capital for three days leaving behind an atmosphere of intimidation and destruction.

In an uncompromising communiqué issued at the weekend, the government, which is dominated by the National Salvation Front, said it was forced to call out "the citizens to eliminate the forces of destruction."

But the communiqué will do little to reassure the opposition parties that President Ion Iliescu and Mr Petre Roman, the Prime Minister, are committed to creating a tolerant climate for democracy.

The headquarters of the National Liberal Party and Peasants Party are in tatters. The miners destroyed all their computers, phones and fax machines, the filing cabinets, desks and bookshelves were smashed.

The sequence of events, which started early last Wednesday, confirm the fears of the opposition that the coun-

try's three main forces - the Front, the army and the security forces - have no idea how to build a democracy.

Front, which won a landslide victory in the elections, is a heterogeneous party but dominated by former communists.

Since January, it has swung between tolerating an opposition and resorting to mob rule, trends which reflect the Front's own weakness and disunity in trying to create genuine democratic institutions.

This was particularly evident last Friday when miners tried to evict the Group for Social Dialogue, a small, independent movement of intellectuals, from its headquarters.

For hours, Mr Gabriel Andreescu, one of the leaders of the Group, negotiated with Mr Roman, Mr Andre Plescu, the liberal-minded Minister of Culture, and the Ministry of Defence which during the day had sent the army to take over the building.

"We received contradictory statements," said Mrs Vera Campeanu, a prominent member of the Group. "Maybe there is a split between Iliescu and Roman about how far an opposition should be tolerated."

But of more concern are the many questions intellectuals are now asking about why the police and army allowed the mobs to take over Bucharest.

For instance, why did the police and army literally stand idly by on Wednesday evening when demonstrators set fire to the police headquarters?

And why, as the demonstrations continued, did the army itself not intervene? This would have ruled out the need for the mobs, who imposed their own law and order.

The government communiqué places the blame on "fascist units in the army" as well as the lack of co-ordination between the police and the army in taking decisive action.

The army hesitated because it is divided between those (mostly young) officers who do not want anything to do with politics and those who see it as their duty to defend the state.

Those divisions go back to February, when a group of young officers set up the Committee for the Democratization of the Army, aimed at ousting officers who had served under the Ceausescu regime and introducing reforms.

The Front met the young officers' demands by sacking the Defence Minister and by demoting 5,000 officers of the "old guard".

But once the Front saw that the loyalty of the army was in question last week, it reintegrated the officers, and - more significantly - President

Iliescu outlawed the Committee. This does not bode well for the future stability and unity in the army.

The hesitation by the army partly explains why Mr Iliescu called in the "people" to defend the state against "a fascist coup d'état".

But by mobilising the miners (just as in January and February) Mr Iliescu unleashed the old Ceausescu forces on whom he remains dependent.

The miners are based in the Jui Valley where, in 1977, thousands of miners went on strike. Ceausescu himself flew down to talk to them, but the miners stoned his helicopter. The authorities met the miners' demands for better pay, but soon afterwards, the strike leaders disappeared. More important, many Securitate (secret police) were then sent to work in the mines to monitor any unrest.

Intellectuals now say that these Securitate officials directed the miners to the headquarters of the Liberal and Peasants parties, to the television, and to the newspaper offices of Romania Libera, an open critic of the Front.

But in singling out for attack all the opposition groups who have no connection with the so-called "fascist coup", the Front exposed its own vulnerability. If it lost control over the miners to the security forces,

then it will continue to remain dependent on the old Securitate machine.

In a country dominated by lies and rumour, seeking the truth to the Front's real intentions will remain elusive.

But judging from statements by Mr Iliescu and Mr Roman, both of whom show not the slightest shame or regret for the violence, the Front's sympathies were with the mobs and against the opposition.

The Financial Times (Europe) Ltd. Published by the Financial Times Europe Ltd., Frankfurt am Main (Germany). Telephone 069-79900. Fax 069-72017. Telex 416193. Registered office: E. Higgs, Frankfurt am Main, Germany. Members of the Board of Directors: R.A.F. McKean, G.T.S. Daniel, A.G. Miller, D.P.P. Palmer, London, England. Frankfurter Societäts-Druckerei GmbH, Frankfurt am Main, Germany. Sole agent for the United Kingdom: The Financial Times Ltd., 100, Strand, London WC2R 0AH. The Financial Times Ltd., 1990.

Registered office: Number One, Southwark Bridge, London SE1 8UL. Company incorporated under the laws of England and Wales. Chairman: D.A.P. Palmer, Mainz, Germany. The Financial Times Ltd., The Financial Times Building, 100, Strand, London WC2R 0AH. Tel: (01) 457 6631; Fax: (01) 457 6639. Editor: Sir Geoffrey Owen. Printer: SA Reed Ltd., 1521, Road 4, Copenhagen. Distribution: The Financial Times Ltd., 100, Strand, London WC2R 0AH. ISSN 1141-2753. Commission: P 678080.

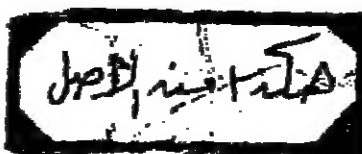
Financial Times (Scandinavia) GmbH, 44, DK-1100 Copenhagen. Denmark. Telephone (01) 54 44 42; Telex 011 935335.

Air Canada to Bombay. At a time that will suit you to a T.

Let our choice of 5 varieties of tea help you get the feel for your trip to India. 4 relaxing flights a week. And everyone arrives in time to get a good night's sleep. Ask your Travel Agent or phone 081-759 2636 from London, or 0800 18 13 13 from elsewhere in the UK.

A BREATH OF FRESH AIR

AirCanada



INTERNATIONAL NEWS

France prepares to reassess cosy links with Africa

Ian Davidson examines the unsettled political and economic backdrop to this week's critical summit

THE Franco-African summit meeting this week is taking place at a moment of growing political and economic crisis for a number of the African participants, and at a critical juncture in France's African policy.

The Ivory Coast and Gabon are only the most recent countries in Africa to have been shaken by large demonstrations of political protest: in the Ivory Coast by disaffected military conscripts, in Gabon by opposition groups.

But many other African countries are also in deep economic and political trouble. With only two days left before the opening of the summit, the French authorities are still not sure just how many of the heads of state will feel it is safe to leave their capitals.

The summit, at the resort of La Baule on the French Atlantic coast, may also mark a turning point in France's policy towards Africa.

The disturbances in Ivory Coast and Gabon have released a rising tide of disapproval in the French press of the balance sheet of French policy in Africa. In particular, French press criticism blames France

for having knowingly connived at the perpetuation, in its former colonies, of regimes which are corrupt, autocratic and incompetent.

The barrage of criticism has made the French Government ultra-sensitive in rejecting accusations that it is engaged in propping up repressive regimes in Africa. When President Félix Houphouët-Boigny of Ivory Coast reacted to his domestic political troubles by calling on France to implement their bilateral defence pact, the French Government sent a single colonel on a reconnaissance visit.

In response to the protest demonstrations in Port-Gentil, France sent 200 soldiers to Gabon; but the Government went out of its way to make clear that their job was to protect or evacuate French citizens, not to keep order or protect the Gabonese Government.

In response to the sharp deterioration in the economies of many African countries, President François Mitterrand is expected this week to outline new proposals for easing the debt problems of middle-income countries. At the same time, however, he is likely to

distance himself from the disastrous image of many African leaders, by lecturing his African visitors at length on the importance of pluralistic democracy and human rights.

Under the pressure of the street, Ivory Coast, Gabon and Benin have reluctantly conceded the principle of abandoning one-party rule. But President Houphouët-Boigny has been in power for 30 years, President Omar Bongo of Gabon for 23 years, and President Mathieu Kérékou of Benin for 17 years.

Other countries like Mali, Niger and Cameroon are one-party states still, while Zaire's President Mobutu, notorious for corruption and repression, has been in power for 25 years.

Local press criticism of the French Government's Africa policies climaxed most spectacularly in a recent attack on the personal role of Mr Jean-Christophe Mitterrand, son of the president and his personal representative in the handling of France's African policy.

Under the Third Republic, France's policy on Africa has always been a special preserve

of the Elysée Palace. In General de Gaulle's time the functions of Africa supreme and intelligence overlord were notoriously combined in the hands of Mr Jacques Foccart, *émence grise* at the Elysée Palace. But even the French press has been caustic at the monarchical implications of entrusting such a portfolio of state to a man whose only obvious quality is that he is the son of the president.

Last week the news magazine *L'Événement* du Jeudi lost the law-suit brought by Mr Jean-Christophe Mitterrand — known throughout Africa as "PapaMidi" or "Daddy-Said" — for its insinuations that his role in African affairs had not been either clean or competent.

But the more general point in the magazine's article, headlined *Africa: the Bankruptcy of French Policy*, is that France has for too long been too closely and too uncritically identified with regimes which do not deserve such support. This has been a common theme of the current chorus of French press criticism.

In theory France's ex-colonies have been independent for exactly 30 years. In practice,

successive French governments have appeared to conduct their relations with their ex-colonies on the cosy principles of closed markets, government influence, and secret deals.

In this conspiratorial relationship, both sides have paid too much for too little. The French have provided too much aid, which has been misused or corruptly diverted; the ex-colonies have paid too much for French exports and French arms contracts.

Centre-piece of this cosy relationship is the franc zone, in which France guarantees a fixed exchange rate of 50 African CFA francs for one French franc in hard currency. The idealism of such a scheme is that it assumes a common approach to legality and economic self-discipline in all the beneficiary countries.

In conditions of wholesale economic decline, such an assumption is manifestly unjustified. Instead, the system merely encourages the illegal export of capital by corrupt political leaders.

Earlier this year Prime Minister Michel Rocard took the

audacious step of commissioning a special report on French development policy. The report, by Mr Stéphane Hessel, a highly respected professional in the field, has still not been published.

But newspaper articles and interviews have made clear that he has argued for a clean-up of French policy, with more emphasis on democracy and the rights of man. Word of this report has evidently shaken the doves in some African capitals.

Mr Michel Aurillac, Development Minister in the 1986-88 government of Mr Jacques Chirac, is unrepentant of France's commitment to Africa.

He believes that Africa, left to itself, faces economic despair, with the prospect of anarchy or mass emigration. Europe has therefore no option but to help.

He may be right. For the moment, however, France seems to be stranded between the expensive and ineffective quasi-colonialist policy of the past, and a new arms-length, politically-enlightened development policy which might have a chance of enduring in the future.

NEWS IN BRIEF

IMF urges austerity to cut Greek deficit

THE International Monetary Fund has called for stricter measures to trim Greece's record public sector deficit to manageable proportions over the next three years, Kerin Hope writes from Athens.

A supplementary IMF report on the Greek economy, which took into account a recent freeze on wage increases, a rise in value added tax and price increases for transport, utilities and luxury goods, was made public at the weekend.

The report said the conservative government's economic policies "constitute important progress in the direction of fiscal rehabilitation" but noted that spending cuts were "relatively mild" and would be hard to carry out.

"Further fiscal reform will have to place emphasis on reducing spending, widening the tax base and curbing tax evasion," the report said.

Yugoslav production declines

Yugoslavia reported a record 15.6 per cent drop in industrial production in May, only two weeks before a second economic reform package is to be announced, writes Laura Silver in Belgrade.

An overall 10 per cent drop was recorded for the first five months of this year, compared with the same period last year. The second stage of economic reform will be aimed at stimulating investment by lifting the freeze on wages and prices in effect since last December.

The disappointing industrial production result tarnishes an otherwise successful economic reform programme which has reduced inflation, built up reserves, and introduced the convertibility of the dinar, which is tied to the D-Mark.

Shell in Venezuela talks

The Venezuelan Government is holding negotiations with Royal Dutch/Shell on a \$600 (£1.77bn) joint venture project to exploit natural gas fields in Venezuela, President Carlos Andrés Pérez has announced, Joseph Mann in Caracas writes.

The project envisions the development of large underwater gas fields lying off Venezuela's eastern coast, as well as construction of a 45km pipeline, a gas liquefaction plant and other facilities. Venezuelan oil industry planners expect to sell the gas, in the form of liquefied natural gas, to clients in the US.

Guyana devalues by 26%

Guyana has devalued its currency by 26 per cent and will deregulate parts of the state-run economy to meet conditions for loans from the International Monetary Fund and other multilateral institutions, writes Canute James from Kingston.

Mr Carl Greenidge, the Finance Minister, said the new rate for the Guyana dollar would be 45 to the US dollar. This is the second change in parity in the past 14 months. In April last year the currency was devalued by 70 per cent.

Vietnam cracks down on collaboration

Vietnam, tightening its security net against what it calls an imperialist threat, has discovered 30 local companies operating illegal joint ventures with foreign companies and 200 foreigners entering the country illegally, Reuters reports from Bangkok.

Moi ends multi-party debate

President Daniel arap Moi of Kenya has ordered an end to a three-month debate on the merits of a multi-party democracy, saying the country was firmly behind him and the sole legal party, Kanu, writes Julian Ozanne in Nairobi.

Algeria's neighbours worry about Islamic militants

By Francis Ghiles in Algiers

THE VICTORY of the Islamic Salvation Front (FIS) in Algeria's local elections last week was unwelcome news for Tunisia's President, Mr Zine El Abidine Ben Ali, and King Hassan of Morocco.

Their apprehensions about the future course of domestic politics in North Africa's largest country are shared in Paris, Rome and Madrid.

France has several million immigrants of North African origin — over half from Algeria — while Italy and Spain have to contend with growing pressure of illegal immigrants from southern Mediterranean shores.

Whatever the future holds for 23m Algerians — and the more educated women are deeply unhappy about the poll result after verbal and physical violence on the part of Islamic militants — the June 13 election marks a date in the history of the Maghreb.

For the first time since

Algeria, Morocco and Tunisia gained independence between 1956 and 1962, elections in which voters had a real and free choice have taken place.

For President Chadli Bendjedid's neighbours, the fact that the party which has held a monopoly of power in Algeria since 1962, the Front de Libération National, has accepted the verdict of the polls and surrendered control of a majority of provincial towns and councils to the FIS will increase the pressure for fairer and freer elections.

The Tunisian leader faces a dilemma. He came to power in November 1987 because the increasingly dictatorial and erratic behaviour of his ageing predecessor, Mr Habib Bourguiba, had led to daily street battles in Tunis.

Although he has breathed fresh air into Tunisian politics and promoted a more liberal economic policy, Mr Ben Ali is adamant in his refusal to grant

legal recognition to the En Nahda (The Awakening) fundamentalist movement.

The movement polled a quarter of the vote in many towns where it presented independent candidates in last year's general election.

But Mr Ben Ali is withholding legal recognition on the grounds that no party must be beholden to a religion or a region in the country. He argues that moves towards greater democracy must come step by step and be accompanied by a higher standard of living and education.

Yet his advisers could spare the president the spectacle of local elections, as took place eight days ago, which are boycotted by all opposition parties and in which the ruling party wins virtually all the seats.

The leader of the Tunisian fundamentalists, Mr Rachid Ghannouchi, undoubtedly draws comfort from the Algerian elections and no doubt

feels he can bide his time.

Reforming the Tunisian economy is slow and painful, even though the country is better managed than Morocco and Algeria. But reforms are not helped by the net outflow of hard currency which results from debt repayment and Europe's tight purse strings. Nor can Mr Ben Ali or his neighbours hope to find jobs for the growing numbers entering the labour market.

King Hassan of Morocco faces a dilemma of a different nature. So far, the fact that he is the scion of a three-centuries-old dynasty and proclaimed as a descendant of the prophet Mohammed has allowed him — with the help of a ruthlessly efficient security force — to control the manifestations and spread of radical Islamic ideas.

He has been helped by the fact that Morocco, like Tunisia, retained its identity and the physical fabric of its old cities

intact during French colonial rule. Much of Algerian society was destroyed during the 50 years it took the French army to conquer the country after 1890 and again during the independence struggle between 1954 and 1962.

In Morocco, however, class differences remain stark and could spell trouble.

Furthermore, the king can expect little sympathy from FIS leaders, who were to gain control of the Algerian government or presidency, for the links he retains with Israeli leaders.

The next few months will be uncomfortable for Algeria's neighbours — in the Maghreb and in Europe. The country is entering uncharted waters.

Whatever happens, whether further gains by the fundamentalists or a reaction against them, Algeria's neighbours can derive little consolation from their inability to influence the outcome.

Italy acts on illegal immigrants

By John Wyles in Rome

THE Italian Government is to introduce visa requirements from July 1 for visitors from the Maghreb countries and from Turkey in an attempt to clamp down on illegal immigration.

The move is part of Italy's first broadly-based approach to managing immigrant flows in the wake of rising public concern at the estimated 900,000 non-European Community citizens thought to be temporarily or permanently resident in the country.

Rome has also been under pressure from its EC partners to tighten its border controls if it wishes to be part of an agreement by the Benelux countries, France and West Germany to abolish all border restrictions between them.

FOR A NETTING SYSTEM TO WORK, A BANK HAS TO HAVE A WORKING NETWORK.

Companies with subsidiaries around the world often incur hefty expenses for the periodic settlement of intercompany receivables and payables. And are exposed to foreign exchange movements.

Which is why the ABN has a netting program that does much more than merely cancel out credit and debit items against each other. And in this the ABN is unique.

Our Netting System provides all of a company's operating units with up-to-date information on their own and each other's liquidity positions. By simulating future exchange rates, losses on exchange can be managed by means of internal futures contracts.

Furthermore, the ABN also ensures that all settlements are executed simultaneously. And this occurs without loss of exchange or interest.

The ABN is capable of offering an advanced Netting Program thanks to its network of almost 1,000 offices spread over more than 45 countries.

Through the branches, ABN obtains relevant financial information from around the world and maintains excellent relationships with the central banks. Both are essential and indispensable tools for the effective operation of ABN Netting.

This then is the firm foundation on which the ABN builds strong relationships with a great number of international enterprises. Because a bank that knows the world, automatically becomes known throughout the world.

ABN Bank

A WORLD OF UNDERSTANDING.

ARGENTINA, ARUBA, AUSTRALIA, AUSTRIA, BAHRAIN, BELGIUM, BRAZIL, BRITISH WEST INDIES, CANADA, CHANNEL ISLANDS, DENMARK, ECUADOR, FRANCE, GERMANY, GIBRALTAR, GREAT BRITAIN, GREECE, HONG KONG, INDIA, INDONESIA, IRELAND, ITALY, JAPAN, KENYA, KOREA, LEBANON, LIECHTENSTEIN, LUXEMBOURG, MALAYSIA, MOROCCO, NETHERLANDS, NETHERLANDS ANTILLES, PAKISTAN, PANAMA, PARAGUAY, PEOPLE'S REPUBLIC OF CHINA, PORTUGAL, SAUDI ARABIA, SINGAPORE, SPAIN, SRI LANKA, SURINAM, SWEDEN, SWITZERLAND, TAIWAN, TURKEY, UNITED ARAB EMIRATES, UNITED STATES OF AMERICA, URUGUAY, VIRGIN ISLANDS. HEAD OFFICE, 32 VALZELSTRAAT, AMSTERDAM, THE NETHERLANDS. TELEPHONE 131-201 29.3249/29.4090/29.3222.

INTERNATIONAL NEWS

East and west to co-operate on environment

By David Thomas in Dublin

EAST European countries, including the Soviet Union, will participate in the European Environment Agency, the body being established by the European Community in the face of the environmental concern sweeping the continent.

This decision - which will result in the first formal Soviet participation in an EC institution - was one of the few tangible outcomes of a day-long conference between EC environment ministers and their east European counterparts this weekend in Dublin.

But the ministers unanimously hailed the Dublin conference, the first of its kind, for allowing western Europe a direct account of the east European environmental disaster. "Brutally frank" (Mr David Trippier, UK Environment Minister) and "far beyond our expectations" (Mr Carlo Ripa di Meana, EC Environment Commissioner) were just two comments on the reports made by East European ministers.

Life expectancy in Czechoslovakia is four to five years lower than in western Europe, and in places 10 years lower, thanks to industrial pollution, Mr Josef Vavrousek, the Czech minister said. Some 70 per cent of the country's trees are affected by pollution, while only about a third of its sewerage is adequately treated.

Large quantities of toxic waste have been poured untreated into about 15,000 waste dumps, many of them illegal, said Mr Carl Steinberg, the East German minister. Some 55 per cent of East German forests are damaged and more than 40 per cent of waste water is untreated.

"The most polluted part of Europe," was how Mr Bronislaw Kaminski, the Polish minister, described the industrial belt of Silesia. About three-quarters of Polish forests are threatened by acid rain, while a third of Polish rivers are unfit for any use.

Cynics might dismiss this catalogue of woes as an east European attempt to extract clean-up aid from the west. Yet the east European ministers, many previously green activ-

ists in their country's dissident movements, did not come to Dublin with a begging bowl. "It's very useful to have some financial assistance, but we can't rely on this. We have to solve our problems ourselves," said Mr Vavrousek.

The Polish minister explained that Poland had so far received about \$25m (£14.8m) in environmental aid under the EC's Phare Programme, but Mr Kaminski reckoned that about \$200m was needed to restructure the Polish economy in a more environmentally benign way.

Instead of cash, the east Europeans asked for help with training, information and technology. "We are just starting to build up an environmental protection system," explained the Czech minister.

Linking east Europe into the new European Environment Agency - which is likely to be in Copenhagen or Madrid - will help to upgrade environmental data in the region. The EC is also planning to spread environmental training and technology by spreading the Phare programme to Bulgaria, Czechoslovakia, East Germany, Yugoslavia and Romania (if democratic reforms continue in the latter).

The Commission will also publish a code of conduct on environmental standards in plants built by west European companies in the east, including the Soviet Union, thereby ensuring that the west does not take advantage of eastern Europe's primitive environmental regulations.

But the ministers from the newly liberalising eastern bloc stressed that the really big environmental improvements will come from shifting their economies away from the Stalinist obsession with energy-intensive heavy industry.

Mr Kaminski said Poland needed to close about 100 polluting enterprises and appealed for western help in privatising the country's energy industry. Mr Steinberg explained that East Germany planned to cut its energy consumption by at least 1.5 per cent a year over the next 10 years.

US changes position on fund to cut use of CFCs

By Peter Riddell

THE Bush administration has changed policy and dropped its opposition to a new international fund to help developing nations reduce their use of chemicals which erode the ozone layer above the earth and allow through more damaging radiation from the sun.

The US is likely to contribute between \$20m and \$25m to a fund of at least \$100m (£59m), though if China and India participate the fund could grow to more than \$200m.

The US decision was made on the eve of this week's London conference which is expected to reach agreement on the creation of the fund to assist in the phasing out of such chemicals, chlorofluorocarbons (CFCs).

The policy reversal followed intense lobbying by foreign governments, including a letter to President George Bush, his close friend of 32 years, whom he has described as being like an older brother. Their focus is on problem-solving, epitomised by Mr Bush's personal, "dial-a-friend" approach with its succession of telephone calls to other world leaders.

In his 18 months in office Mr Baker has visited 31 countries, seeing Mr Edward Shevardnadze, his Soviet opposite number, almost monthly since last summer. Contacts with Mr Hans-Dietrich Genscher, the West German foreign minister, have been even more frequent.

The Baker/Genscher axis has become increasingly important as the German question has moved to the centre of the political stage. It first developed last April and May when the US was faced with a split in Nato over the modernisation of short-range nuclear weapons based primarily in West Germany. In the manoeuvring before the Nato summit in Brussels in May 1989, Mr Baker and Mr Genscher began to appreciate each other as fellow deal-makers.

The relationship - matched by the one between Mr Bush and Chancellor Helmut Kohl - was crucial in the creation last February of the "2 plus 4" talks over the external aspects of

Baker the deal-maker leans on Shamir

The US Secretary of State is a manager after George Bush's heart, writes Peter Riddell

THERE was nothing spontaneous or accidental about last week's outburst of frustration by Mr James Baker, the US Secretary of State, against the new Shamir Government's preconditions for Middle East peace talks - "when you're serious about peace, call us."

It was a carefully calculated move designed to put pressure on Israel. Not only did the remarks underline the gap between the US and Israeli leaderships, but they also highlighted Mr Baker's style of diplomacy.

He is, above all, a deal-maker - described by supporters and critics alike as a superb political tactician, an ultra-pragmatist, a brilliant handier of Congress and the press. The New Yorker recently quoted him as saying "I'm more interested in the game than in philosophy."

Mr Baker fits perfectly into the managerial pattern set by President George Bush, his close friend of 32 years, whom he has described as being like an older brother. Their focus is on problem-solving, epitomised by Mr Bush's personal, "dial-a-friend" approach with its succession of telephone calls to other world leaders.

In his 18 months in office Mr Baker has visited 31 countries, seeing Mr Edward Shevardnadze, his Soviet opposite number, almost monthly since last summer. Contacts with Mr Hans-Dietrich Genscher, the West German foreign minister, have been even more frequent.

The Baker/Genscher axis has



Baker: close friend of Bush for 32 years

become increasingly important as the German question has moved to the centre of the political stage. It first developed last April and May when the US was faced with a split in Nato over the modernisation of short-range nuclear weapons based primarily in West Germany. In the manoeuvring before the Nato summit in Brussels in May 1989, Mr Baker and Mr Genscher began to appreciate each other as fellow deal-makers.

The relationship - matched by the one between Mr Bush and Chancellor Helmut Kohl - was crucial in the creation last February of the "2 plus 4" talks over the external aspects of

German unification. By bringing both the Germans and the four wartime allies (the US, the Soviet Union, Britain and France) together, it not only helped to prevent the isolation of Moscow but also stopped serious divisions in the west.

After an initial wary period, Mr Baker led the administration push last September and October to reach closer relations with the Soviet Union, to seek what he has called "points of mutual advantage".

In particular, to tie down a wide range of arms control agreements. Mr Bush and Mr Baker have seen Mr Mikhail Gorbachev - in Mrs Margaret Thatcher's phrase - as someone they can do business with.

This has led to a style of negotiations whereby, before each meeting, Mr Baker's advisers - notably Mr Robert Zoellick and Mr Dennis Ross - prepare proposals. Most recently, there was the nine-point plan of reassurance to the Soviet Union that a unified Germany within Nato would not threaten its interests.

This deal-making approach has obvious advantages at a time of rapid change, notably flexibility. The close Washington/Bonn axis has scored a clear success so far in preventing German unification from causing big divisions within Europe.

But there are disadvantages. The concentration on particular partners in deals can leave other allies feeling left out.

Moreover, it is not only conservative Republicans who feel

Israeli officials insisted yesterday that a new right-wing government would work for Middle East peace but declined to say what alternatives it would offer to a US proposal for talks with Palestinians in Cairo. Reuter reports from Cairo.

Cabinet ministers said the government had not discussed new steps to quell a 30-month-old Palestinian uprising in the occupied West Bank and Gaza Strip.

Cabinet Secretary Elyakim Rubinstein denied that he had rejected James Baker's formula for the Cairo talks.

The officials played down a US proposal for the talks on preparing Israeli-sponsored Palestinian elections in the occupied territories.

That Mr Bush and Mr Baker are pinning US policy too much on Mr Gorbachev, and that the administration has slipped up in privately bad-mouthing Mr Boris Yeltsin.

Mr Baker may have travelled widely but he tends to concentrate on pressing problems (Germany and the Soviet Union now, or central America in the first half of last year), leaving other issues to one side. For instance, his own staff concede that insufficient attention has been paid to strengthening US links with Pacific Rim countries.

Mr Baker visited Australia last year to back the Asia Pacific Economic Co-operation

initiative, but there has been little high-level political follow-up. Mr Baker's meeting last Friday in San Francisco with Mr Taro Nakayama, the Japanese Foreign Minister, was unusual and reflected the seriousness of the stalemate in current trade talks.

While Mr Baker has not visited the Middle East, apart from a brief stopover in Oman, he has spent a lot of time on the telephone, and in meetings in the US, with both Israeli and Arab leaders. His evident frustration with the new government in Israel reflects a feeling, fully shared by Mr Bush, that Mr Shamir is not a man with whom they can do business. The president, in particular, believes that Mr Shamir is devious and has misled him about settlements in the occupied territories.

The Bush administration, which has faced considerable criticism over its 18-month dialogue with the Palestine Liberation Organisation, is also furious that the PLO's leadership has not done more to condemn and discipline the perpetrators of the abortive terrorist attack on an Israeli beach two weeks ago.

Nevertheless, the US is not about to walk away from the issue. Mr Baker's remarks were carefully calculated to attract attention, to jolt both sides. He may feel annoyed, but he knows that the US, as the surviving superpower, is inescapably involved in the Middle East, as in the world's other problem areas.

Native Canadians stall approval of Meech Lake deal

THE tenacious tactics of the only aboriginal member of the Manitoba legislature have succeeded in stalling approval of Canada's Meech Lake constitutional package, while unleashing the most vigorous protests in years by the native community against political discrimination. Bernard Simon writes from Toronto.

Mr Elijah Harper, a former Cree Indian chief from northern Manitoba, has raised one procedural objection after another over the past week to prevent the Manitoba government from starting public hearings on the Meech Lake accord.

The hearings were promised 10 days ago to assuage public opinion after provincial premier Mr Gary Filmon backed away from his earlier opposition to

Meech Lake and pledged to push for ratification ahead of the June 23 deadline.

Mr Harper's protests have brought to the surface a deep resentment among leaders of Canada's 500,000 Indians and Inuit (Eskimos) at their exclusion from the constitutional reform process.

The protest has also given a useful stick to Canada's opposition parties - divided among themselves on Meech Lake - with which to beat prime minister Brian Mulroney over his strategy of waiting until the 11th hour to negotiate a way out of the constitutional impasse.

The rotunda of the Manitoba legislature in Winnipeg was taken over last week by several hundred native protesters singing and dancing to the beat of

tom-toms. In a further effort to stymie the public hearings, about 1,500 natives have asked to present evidence. Aboriginal leaders in other parts of Canada have endorsed Mr Harper's stand.

The natives' chief objection is Meech Lake's recognition of the "distinct" identity of Quebec and the accord's description of the "fundamental character" of Canada in terms of French and English-speaking people, without any nod towards the country's earliest inhabitants.

Four constitutional conferences since 1982 have failed to resolve the grievances of the Indian and Inuit communities, notably their demand for a greater degree of self-government. However, an agreement reached in Ottawa 10 days ago provides for further conferences to

be held at least once every three years until these issues are settled.

As a result of Mr Harper's stalling tactics, the Manitoba public hearings are not expected to start until Wednesday, only three days short of the deadline for all 10 provinces to ratify Meech Lake.

The only other legislature yet to put its stamp on the accord, Newfoundland, is due to vote on either Thursday or Friday. Members of the province's House of Assembly have been freed from party discipline for the vote. The result is uncertain, but recent polls indicate that, despite misgivings on the contents of the accord, most Newfoundlanders favour passing it rather than risk encouraging a breakaway by Quebec.

a new European in Europe



As she successfully combines technique and aesthetic perfection.

BEKOTEKNIK of Turkey! After years of research, BEKOTEKNIK has combined technique in electronics with aesthetics.

TV sets employing this combined perfection are already in homes throughout Great Britain,

Holland, West Germany, Switzerland and Greece.

With Turkey at your doorstep, why not get acquainted with BEKOTEKNIK? Save both time and shipping costs by dealing with 'The new European in Europe'

Bekoteknik
The now generation of electronics

“WE’RE COMMITTED,” WE SAID.

“PROVE IT,” YOU SAID.



Well for a start, we've just added two new top-end mainframes to the growing list of advantages from Hitachi Data Systems. The new EX models 310 and 420 bring as much as a 70% increase in the performance range over our current top model, the EX100. They're a natural extension to the already broad EX line, designed for easy upgradability in step with the growth of your business.

Many of our customers weren't entirely surprised. One year ago, when we became Hitachi Data Systems, we committed to maintain our record for superior reliability while building additional advantages into our product lines. Most people just didn't expect such a big advantage.

This last year we also introduced two top-end intermediate-range computers to increase our customers' growth alternatives and performance options. We added significant

improvements to our direct access storage systems, even though they were already recognized as the world's most reliable. Our parent company, Hitachi, Ltd., committed \$2.8 billion to R&D, mostly computer-related, and reinvested all of our earnings into growing our business.

The results of our commitment so far? We gained more than 200 new customers, increased our worldwide staff by 15% and enjoyed a revenue increase of 30%.

And we're still gaining speed. Because when it comes to commitment, we have to do more than just prove it. We have to improve it.

Hitachi Data Systems, John Busch House, 277 London Road, Isleworth TW7 5AX, England. Tel 44-81 568 8855.



Hitachi Data Systems

ABC Company plc.

BALANCE SHEET
AT 31 DECEMBER 1989

	Notes	£ million 1989
Fixed assets	10	165.2
Tangible assets	11	24.4
Investments		189.6
Current assets	12	53.8
Stocks	13	100.3
Debtors		2.0
Cash at bank and in hand		156.1
Current liabilities		121.6
Creditors: amounts falling due within one year	14	34.5
Net current assets/(liabilities)		224.1
Total assets less current liabilities		
Creditors: amounts falling due after one year	14	111.5
Provisions for liabilities	15	0.4
		112.2
Capital and reserves	16	47.4
Called up share capital	17	64.8
Profit and loss account		112.2

Approved by the Board March 1990

If you can't spot which company
is about to collapse, it could be your own.

XYZ Company plc.

BALANCE SHEET
AT 31 DECEMBER 1989

	Notes	£ million 1989
Fixed assets	8	165.2
Tangible assets	9	24.4
Investments		189.6
Current assets	10	53.8
Stocks	11	100.3
Debtors		2.0
Cash at bank and in hand		156.1
Current liabilities		121.6
Creditors: amounts falling due within one year	12	34.5
Net current assets/(liabilities)		224.1
Total assets less current liabilities		
Creditors: amounts falling due after one year	13	111.5
Provisions for liabilities	14	0.4
		112.2
Capital and reserves	15	47.4
Called up share capital	16	64.8
Profit and loss account		112.2

Approved by the Board March 1990

Two identical balance sheets from two apparently identical companies, both facing the same business and financial risks.

Exposures due to volatile interest rates, fluctuations in currency exchange rates and rapid changes in the prices of key commodities such as oil or metals.

But while Company ABC has a comprehensive risk management policy, Company XYZ does not.

So ABC has regular cashflow forecasts of key exposures and can turn its risks into competitive advantages.

While XYZ simply relies on accounting data and keeps its fingers crossed.

As a result, they have misunderstood their exposures, going from one exposed position to another. Which may explain why XYZ is about to go out of business.

A fate our Risk Management Advisory Service could have helped them avoid.

We offer a totally objective in-depth analysis of your exposures, showing how they arise from your business and how they could affect your financial results.

We'll identify exposures you perhaps never realised existed and show you how to keep a sharp eye on them. We'll train you in cost-effective hedging

techniques and we'll explain how to track their performance.

And, of course, we can help you implement our recommendations.

All thanks to our worldwide experience as inventors of Risk Management tools and products.

Not to mention our comprehensive knowledge of local markets gained from our global network, and our substantial daily dealings in forwards, futures, options and swaps.

So call us now for more information.

And make sure that if any company in the marketplace is going to collapse, it isn't yours.

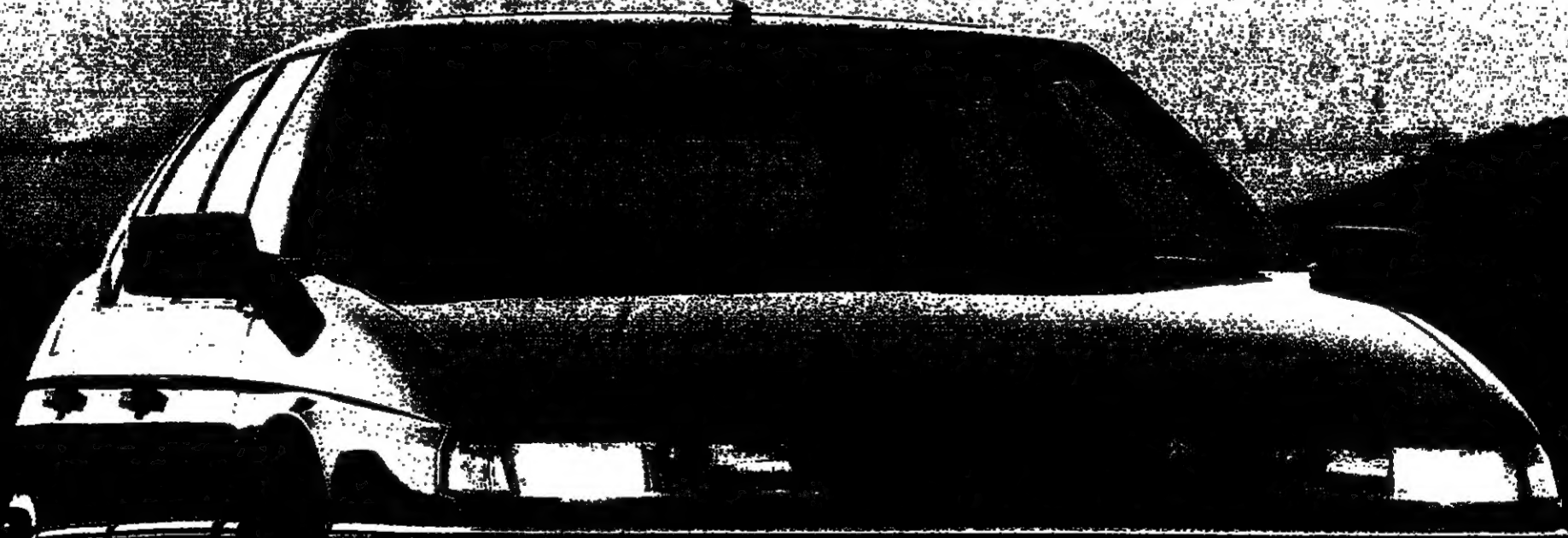
EUROPE'S BUSINESS NEWSPAPER



London's
ding
e delay

L TIMES
HARVEY... 1984

OTHER LUXURY CARS GO FULL TILT
THE CITROËN XM GOES FLAT OUT



Luxury cars will whisk you along the motorway in perfect comfort. Sports saloons will cling to the most challenging bends.

But ask one to perform like the other and you'll inevitably end up with a compromise.

It's a trap Citroën have cleverly avoided.

The Citroën XM succeeds where others have failed because it doesn't try to tackle both tasks at once.

CITROËN XM



CAR OF THE YEAR 1984

With the most advanced suspension system of any production car in the world, the XM chooses between ride comfort and roadholding in response to the demands of your driving.

At the heart of the system, a computer is kept informed of your intentions by strategically placed sensors.

Should you decide to take a leisurely drive along the M1, the computer will relax the suspension accordingly.

But take a sharp bend, or put your foot down and, for once, the phrase 'flat out' means exactly that.

In just 0.05 seconds, the suspension is stiffened, minimising roll and giving the XM the tenacious grip and sure-footed handling you would only expect to find in the fastest sports saloons.

Return to a straight road and the system switches back imperceptibly, to a ride of unparalleled comfort.



It's a simple solution to what appeared to be an insoluble problem. One that will be appreciated by every level-headed motorist.

THE CITROËN XM RANGE SPANS 8 MODELS FROM THE XM 2.0 CARB (£14,890) UP TO THE XM V6 SEI (£28,328). ALL NON-DIESEL MODELS RUN ON UNLEADED PETROL WITH CATALYTIC CONVERTERS STANDARD ON ALL V6'S AND OPTIONAL ON 2 LITRE INJECTION MODELS. PRICES QUOTED CORRECT AT TIME OF GOING TO PRESS AND INCLUDE CAR TAX AND VAT - NUMBER PLATES AND DELIVERY EXTRA. FOR TAX FREE EXPORT/SALES CALL CITROËN BERKELEY SQUARE ON 071-624 6818. FOR FURTHER INFORMATION AND THE NAME AND ADDRESS OF YOUR NEAREST CITROËN DEALER WRITE TO DEPT. PCH4, CITROËN UK LIMITED, FREEPOST, LONDON N4 1BR OR FREEPHONE 0800 265555. CAR OF THE YEAR SPONSORED BY STERN, L'EQUIPE, AM, SUNDAY EXPRESS MAGAZINE, YI, ELABARE, AUTOMISTA AND AUTO VIDE.

UK NEWS

Kinnock seeks to reassure voters over tax levels

By Michael Cassell, Political Correspondent

MR NEIL KINNOCK, the Labour leader, is tonight expected to reassure middle-income earners that they will be no worse off under a Labour government.

Mr Kinnock, who will be giving his first full television interview since the launch last month of Labour's new policy document, will pledge that there will be no increase in income tax for a large majority of taxpayers while there will be cuts for the least well off.

The party leadership says its own research suggests that plans for a series of tax bands stretching from below 50 per cent to 50 per cent are winning electoral approval, but Labour acknowledges that it has a big fight on its hands over taxation and economic issues.

A senior Labour strategist said last night: "Although the evidence suggests the voters support our plans to move towards a system of fairer taxation, the message that the vast majority of people will pay no more tax will have to be consistently reinforced."

Mr Kinnock has called a special two-day session of the shadow cabinet for the end of

July which will prepare the party for the possibility of a general election campaign next year. The party leader believes that, in spite of the Government's present troubles, Mrs Thatcher might be tempted to call an election if the economic environment permits.

A summer campaign led by shadow cabinet members is being planned for the run-up to the autumn annual conference, which the leadership intends to conduct on the basis that it might be the last before the election.

Leading figures in the party will concentrate on the issues they see as the basic agenda for the election contest, including the quality of life, the environment and the management of the economy.

Last week the shadow cabinet received a preliminary report on voters' reactions to the recent policy launch. Opinion polls suggest that the overall message has been favourably received and that there is particular satisfaction that the party appears to have improved its image on issues such as defence and the trade unions.

Labour plans assault on government defence plan

By Michael Cassell

LABOUR will today use a Commons debate on defence to allege that the Government's current review of British defence requirements is in disarray.

The two-day debate on defence estimates comes as ministers and officials press ahead with an internal review of defence spending in the wake of political changes in eastern Europe and the Soviet Union.

Reports of a rift between Mr Tom King, the Defence Secretary, and Mr Alan Clark, the Minister for Defence Procurement, over the future shape of Britain's defences have been officially denied.

The opposition nevertheless

plans to accuse defence ministers today of being divided on strategy and of undermining the morale of service chiefs. Labour intends to push the Government into spelling out its latest thinking on the potential for defence cuts and to establish whether views on the issue vary.

Mr Martin O'Neill, Labour's defence spokesman, claimed there was "deep frustration and anxiety" within the armed forces about the present, low-key review of British defence requirements.

He said evidence of the present "shambles" could be seen in last month's decision to freeze temporarily all defence procurement.

Controversy after police and soccer fans clash

By John Wyles in Cagliari and Alan Cane in London

MR COLIN MOYNIHAN, Minister for Sport, and leaders of the England Football Supporters Association (FSA) were at odds yesterday over the wisdom of Italian policing tactics during violent clashes with English fans before the England-Netherlands World Cup soccer match on Saturday night.

A summer campaign led by shadow cabinet members is being planned for the run-up to the autumn annual conference, which the leadership intends to conduct on the basis that it might be the last before the election.

Leading figures in the party will concentrate on the issues they see as the basic agenda for the election contest, including the quality of life, the environment and the management of the economy.

Last week the shadow cabinet received a preliminary report on voters' reactions to the recent policy launch. Opinion polls suggest that the overall message has been favourably received and that there is particular satisfaction that the party appears to have improved its image on issues such as defence and the trade unions.

Mr Moynihan said yesterday: "The orchestrated incident before the match was a shocking reflection that a mindless minority of thugs can bring English football into international disrepute."

He said he was grateful to the police for their "swift, tough and decisive action".

There were no incidents after the game due, Mr Moynihan claimed, to British pressure on the Italian authorities to provide adequate numbers of coaches to take spectators away from the stadium.

But Mr Steven Beauchamp, FSA World Cup co-ordinator, said yesterday: "Mr Moynihan's statement smacks of a respect of his total consideration of the trouble in West Germany, when he made no attempt to find out what really happened."

"Police launched a violent attack on England supporters, which had the consequence of making the problem worse."

In the subsequent mêlée, about 500 fans were chased into a petrol station forecourt and many were beaten with truncheons. They included Mr John Tunmon, a member of the FSA executive, who suffered heavy bruising.

Mr Tunmon said the police aggression against innocent fans was creating such resentment that "it is starting up problems for the England team where the England team will play if it qualifies after facing Egypt on Thursday."

Thames cable car link proposed

By Richard Tomkins, Transport Correspondent

A PRIVATE-SECTOR consortium has drawn up plans to build a Swiss-style cable car link in London to carry passengers across the Thames into Docklands.

If the scheme goes ahead, it will give central London its first completely new fixed link over the river since Tower Bridge opened in 1894.

The £25m system, called Sky Shuttle, has been proposed by a consortium led by Acer, the engineering consulting group that designed the Humber Bridge and two bridges over the Bosphorus at Istanbul.

It would consist of a steel suspension bridge across the Thames carrying cable cars between the British Rail stations at North Woolwich on the north bank and Woolwich Arsenal to the south.

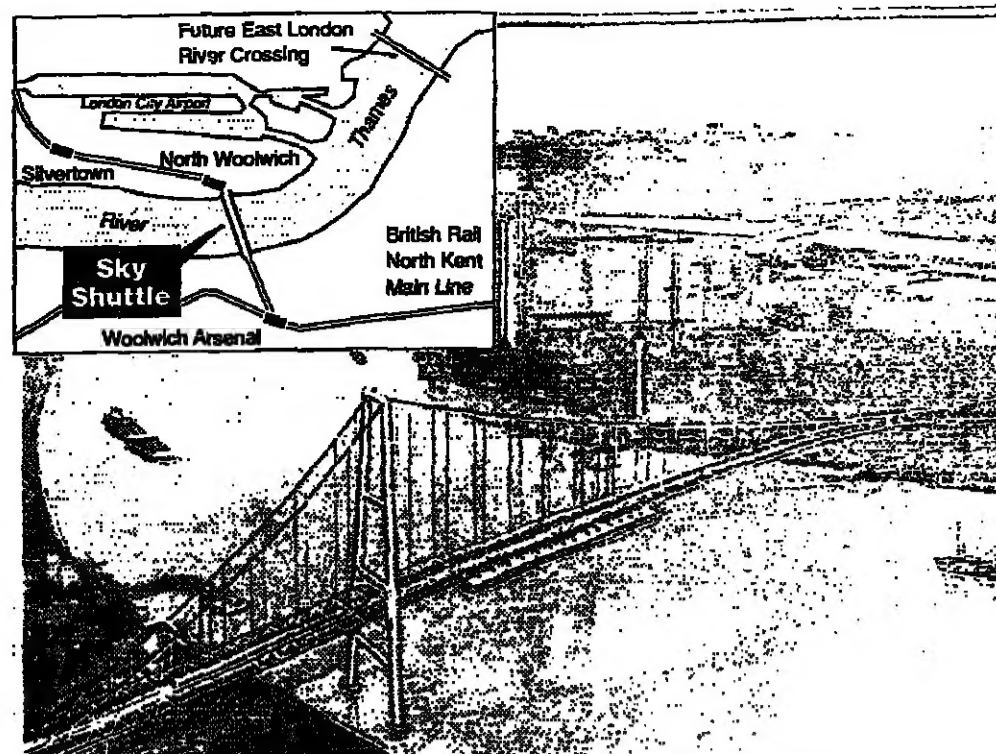
Based on Swiss technology, each shuttle would consist of a number of carriages suspended from an overhead track and hauled by steel cable.

Passengers would pay 50p for the journey of three quarters of a mile between the two shuttle interchanges. These would be immediately above the railway platforms.

Docklands is badly served by river crossings. Other than two tunnels for road traffic, the only links up-river from Tower Bridge are the Woolwich Ferry and the foot tunnels at Woolwich and Greenwich.

North Woolwich station is in the Royal Docks area next to London City Airport and is the terminus of the North London railway line.

Acer believes the Sky Shuttle's planned three-minute



An artist's impression of the Sky Shuttle and (inset) its proposed location

crossing time would make it an attractive way of penetrating Docklands for passengers arriving at Woolwich Arsenal on the railway line from London Bridge to North Kent.

The consortium acknowledges that the case for the link, which it hopes to open in 1993, will be partly undermined by competing Docklands links such as the Jubilee Line extension, planned for the late 1990s.

None the less it believes that

five years of rapid traffic growth, followed by a flattening out after 1998, will leave investors with a rate of return of at least 15 per cent over a 10-year payback period.

In addition to Acer, the consortium comprises Hambros Bank; the Swiss cable car manufacturer Math Strelitz; the Swiss monorail specialist Aeromoto; and Mr Peter Harrison, the engineer who conceived the shuttle.

Two hurdles have to be cleared before the scheme can proceed. The necessary finance has to be raised through a combination of debt and equity, and a private bill enabling the construction has to be steered through Parliament. The group said it was already talking to potential sponsors, and initial support had been indicated by the London Docklands Development Corporation, British Rail and London Transport.

Merseyside order trend still positive

By Ian Hamilton Fazey, Northern Correspondent

ECONOMIC slowdown appears to be only just beginning to catch up with Merseyside, illustrating continuing buoyancy and confidence among industry and commerce in the north of England.

The latest quarterly survey of the Merseyside Chamber of Commerce and Industry shows a declining but still positive trend in both domestic and export orders and deliveries to the end of March.

More companies nevertheless managed to record rising sales than declining ones, with

the bulk holding steady. Trends analysis suggests that domestic buoyancy peaked during the second and third quarters of last year, while export orders and deliveries did so in the fourth quarter.

However, export markets are still stronger than at any other time last year.

Together with the north-east, Merseyside has one of two weakest northern sub-regional economies because of its narrow industrial base.

Cash flow was one of only two Merseyside trends that

turned negative, with 25 per cent of companies reporting a worsening as against 21 per cent that saw an improvement. However, the bulk still find cash flow satisfactory.

Caution, rather than lack of confidence, seems to be the mood over investment. Only 15 per cent have revised plans for new machinery and plant downwards and 14 per cent for buildings. On the other hand, 69 per cent and 74 per cent are sticking to budgeted investment. There was a weakening in confidence over future turn-

over and profitability, but the trends remained positive.

The labour market is getting tighter, with a net gain in jobs among only 3 per cent of companies in the first quarter. A decline is forecast - involving a net 3 per cent of companies - in the current quarter.

With labour shortages affecting only managerial, white-collar, professional and skilled jobs, that means few prospects for Merseyside's large pool of unskilled jobs, which comprise the bulk of its 19 per cent male unemployment rate.

Scandinavian Bank staff cuts expected

By Our Financial Staff

MORE City redundancies are expected this week after the acquisition announced earlier this month of Scandinavian Bank by one of its shareholders, Skandinaviska Enskilda Banken.

The acquisition of Scandinavian Bank is expected to result in radical slimming down of its current workforce. As many as two thirds of Scandinavian's 400 staff at its headquarters offices may leave in the shake-up, according to bankers.

SE Banken did not comment on the reports. SE Banken, which previously owned 21.7 per cent of Scandinavian, bought out the other four shareholders for £152.7m.

About two years ago, Scandinavian changed its corporate strategy, allowing it to concentrate more on merchant banking activities.

That move, while supported by the other four shareholders - Norway's Den norske Bank, Union Bank of Finland, Denmark's Unibank and Iceland's Landsbanki Islands - did not please SE Banken, which was aiming to build up a similar business itself in London, in part through its Enskilda Securities subsidiary.

The purchase thus removes an important competitor for SE Banken in merchant banking. It also obtains Scandinavian's Swiss private bank subsidiary, which it has long sought.

SE Banken is said to be interested in Scandinavian's treasury and corporate finance divisions, but less so in more traditional banking businesses where some of the redundancies are expected.

London equities trader reopens in Scotland

By James Buxton, Scottish Correspondent

COUNTY NatWest WoodMac, the equities arm of County NatWest, the investment bank, is resuming equities trading for institutions in Edinburgh, 11 years after it moved all trading to London.

The move reflects the fact that with the introduction of screen-based trading on the London Stock Exchange, equities traders can operate anywhere where telecommunications are adequate.

It also means that County NatWest WoodMac can serve its Scottish institutional clients on their own doorstep.

The bulk of County NatWest WoodMac's trading operation will remain in London but a small number of equities sales staff and one equities trader will operate from Edinburgh from the beginning of next month.

"It means that we can get closer to clients such as the Scottish life assurance companies and fund managers who may wish to deal through people they can meet in person," said a County NatWest Wood-

Mac executive. "Operating costs here are lower and the quality of life superb."

Although Scottish institutions have investment portfolios worth about £80bn, until recently there was no purely institutional stockbroker in Edinburgh or Glasgow to service them.

Last autumn Roderick Sutcliffe & Partners was set up in Edinburgh to deal with institutional clients.

County NatWest WoodMac traces its origins to the Edinburgh stockbrokers Wood Mackenzie which entered the London securities trading market in 1973 and moved all trading to London in 1979. In 1988 Wood Mackenzie's institutional stockbroking business, then part of Hill Samuel, was sold by its parent TSB Group to County NatWest.

The Edinburgh office contains about a quarter of County NatWest WoodMac's research staff and carries out other back-office functions, although settlement is centralised in London.

Net inflow at National Savings

NATIONAL Savings attracted a net £70.8m in savings last month, the second successive month that savings have exceeded withdrawals, writes David Waller.

Although a net £169.8m was withdrawn from fixed-interest National Savings certificates, that was more than balanced by an inflow of funds into schemes paying interest gross.

Most popular were income bonds and the Investment account, which attracted a net inflow of £134m and £81.8m

respectively, reflecting the introduction of independent taxation for married women as from the beginning of April.

In the first two months of the financial year, there has been a net addition to National Savings funds of £151.2m, taking the total to £35.5bn.

That was down from the £26.6bn total at the end of May 1989, but the pick-up in savings over the last two months reverses a trend whereby there was a net outflow of funds for 18 successive months.

Reports argue for monetary union

By Andrew Marshall, Economics Staff

ARGUMENTS over full UK membership of the European Monetary Union are about to be overtaken by European moves towards monetary union, according to two newly published papers from research bodies of opposing political persuasions.

One is published by the new left-of-centre Institute for Public Policy Research, the other by the Adam Smith Institute, whose advocacy of free-market policies has been highly influential in the past decade.

Mr Nicholas Gibb, writing in the ASI paper, says the EMS "is no panacea" for the UK's economic ills and will not pro-

vide a defence against inflation.

He says the EMS will not provide exchange-rate stability, and points out that there were 10 realignments between 1979 and 1988. The persistence of realignments will mean continuing uncertainty for business.

"Those who argue for the case for membership of the EMS on the basis of the advantages of stable exchange rates are in fact arguing for EMU (European monetary union)," he says, urging that the issue of monetary union be debated before Britain's entry into the exchange-rate mechanisms of

the EMS rather than after.

The IPPR says in its study that the rest of the EC is rapidly moving towards EMU, leaving Britain out.

The paper is written by Mr Gavyn Davies of Goldman Sachs, Mr David Currie of the London Business School, Mr Neil MacKinnon of Yamaichi International, and Ms Irene Brunskill of the IPPR. They urge the Government to commit itself to union so that Britain's legitimate concerns about the pace of change can be effectively stated at the intergovernmental conference due to be held in December.

The authors advocate:

NEWS IN BRIEF

EC gives go-ahead to AIDS drug

WELLCOME, the UK pharmaceuticals company, has received provisional clearance from a European Commission committee for wider use of its Retrovir AIDS treatment, writes Peter Marsh.

The recommendation has come from the commission's Committee for Proprietary Medicinal Products. It is a first step in the effort by Wellcome to market the product in the European Community for people who have the human immunodeficiency virus (HIV) which causes AIDS but who have not progressed to full signs of the disease.

Earlier this year Wellcome applied to individual EC countries for permission to sell the drug, the only medication licensed to treat AIDS, for the wider use. The committee decided to consider the applications centrally.

Advertising gloom

THE ADVERTISING industry is set for years of sluggish growth in which advertisers may be reluctant to invest in innovative campaigns, according to a survey of art directors in leading London agencies, writes Alice Rawsthorn.

The survey by the Design & Art Directors Association, suggests that financial pressure may make companies cautious about creative content.

In recent months the advertising industry has suffered a significant slowdown in expenditure. Most respondents to the D&AD survey - which used Gallup, the market research company, to canvass the views of 10 agency creative directors - expected the slowdown to continue. Nearly three quarters believed creative standards would be threatened in the early 1990s.

The respondents expressed concern about the advertising industry's public image. Most suspected that the public did not think of advertising as "hard work".

Steel output levels

THE DECLINE in steel production which set in during the second half of last year may have bottomed out, according to official estimates, writes Charles Leadbeater, Industrial Editor.

Seasonally adjusted steel output rose marginally in May to about 355,700 tonnes from 354,800 tonnes in April, according to figures from British Steel and the British Independent Steel Producers Association. British Steel believes steel production has plateaued about 15 per cent down on the peak of between 350,000 and 400,000 tonnes reached in the early months of 1989.

Spending slowdown

SPENDING in shops is likely to slow sharply in the 1990s, according to forecasts published today by the Manchester Business School and Cambridge Econometrics, writes Maggie Urry. Whereas total retail spending rose by 43 per cent during the 1980s, the rise will be only 24 per cent in the 1990s, the report says.

The UK Retail Sector, Cambridge Econometrics, 21 St Andrew's Street, Cambridge CB2 3AX. £395.

Shopping challenge

JOHN LEWIS PARTNERSHIP, the store group, and Slough Estates, the property developer, are to challenge Welwyn Hatfield District Council in the High Court, writes Maggie Urry. They contest the council's decision to allow a shopping centre developer to change its mix of tenants.

The centre is being built above the A1 road in Hertfordshire, near Welwyn Garden City. The developer is Carroll Group, a large, privately owned property company. Originally the centre, due to open next year, was given planning permission on the basis of a "tenant mix agreement" concentrating on "leisure-oriented shopping".

However, the developer has brought in some fashion and general retailers as tenants. The council gave Carroll permission to change the tenant mix agreement in February.

FT FINANCIAL TIMES CONFERENCES

NORTH SEA OIL & GAS

London, 2 & 3 July, 1990

This conference will examine the North Sea and the oil and gas development opportunities. It will also take account of the new technologies that are continuously being developed to make offshore operations safer and easier as well as emphasise the environmental responsibilities of North Sea offshore campaigners.

Speakers include:

The Rt Hon Peter Morrison, MP
Minister of State for Energy, UK

Mr David Harding, OBE
BP Exploration

Mr Robert E McKee
Conoco (UK) Limited

Dr Hans Jørgen Rasmussen
Dansk Olie og Naturgas A/S

Mr Norman C Chambers
Rockwater

Miss Tone Skogen
Royal Ministry of Petroleum and Energy, Norway

Professor Clifford S Johnston
Institute of Offshore Engineering (IOE)

Mr Gareth Lewis-Davies
County NatWest WoodMac

Dr Harold Hughes, OBE
UK Offshore Operators Association Limited

Mr John E d'Ancona
Department of Energy

Mr Jack Gregory
British Gas plc

Mr N J van Dijk
Nederlandse Aardolie Maatschappij BV (NAM)

Mr Ed Blair
Hamilton Brothers Oil and Gas Limited

Mr Drs Stan Dessens
Ministry of Economic Affairs, The Netherlands

Dr Jim Walker
The Royal Bank of Scotland Group plc

Mr William J Cairns
International Council on Oil and the Environment

in association with

NORTH SEA LETTER & EUROPEAN OFFSHORE NEWS

NORTH SEA OIL & GAS

A limited amount of exhibition space is available at the conference

☐ Please send me further details
☐ I am interested in exhibition at the conference

FT A FINANCIAL TIMES CONFERENCE

To: The Financial Times Conference Organisation
125 Jermyn Street, London SW1Y 4JL, UK
Tel: 071-925 2323 Fax: 071-925 2125 Tlx: 27347 FTCONF G

Name _____
Position _____
Company _____
Address _____
Postcode _____ Country _____
Tel _____ Tlx _____ Fax _____
Type of Business _____

John Marshall

DECEMBER 11 FITTON



HISTORIC

Jaguar are used to making history. But yesterday, at Le Mans, we saw former glories relived in spectacular style.

Winner of the classic 24 hour endurance race was the mighty Jaguar XJR 12*. Echoing a string of victories in the 50's and our most recent success in 1988, the V12 powered Jaguar once again proved its inherent engineering

quality, reliability and performance.

And that same 12 cylinder engine powers the Jaguar V12 and Daimler Double Six saloons together with the XJS V12 Coupe and Convertible.

However, in this context it performs rather more unobtrusively.



JAGUAR
JAGUAR CARS LTD., COVENTRY, ENGLAND

*RESULT SUBJECT TO OFFICIAL CONFIRMATION.

80,000 people around
the world.

Annual sales of
£5 billion.

GEC ALSTHOM is a
world leader in energy
and transportation.

GEC ALSTHOM is
constantly harnessing
nature's power to
achieve breakthroughs
that push back
technological barriers:

- the TGV holds the
world rail speed record.
- the most powerful
steam turbine.
- the largest gas turbine.
- the world's most
extensive nuclear
power program.
- the highest electric
voltages harnessed.
- the world's largest
cruise ship, the

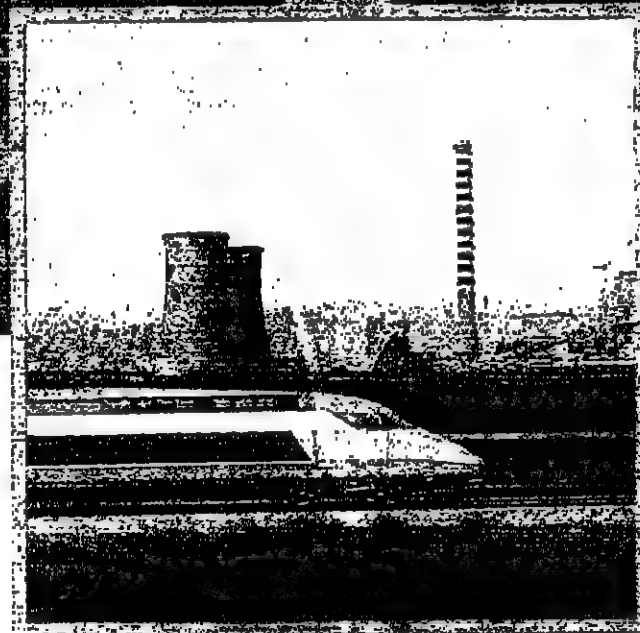
Sovereign of the Seas.
Shortening distances.
harnessing energy.
bringing continents
closer.

GEC ALSTHOM's fields
of activity include:
Power generation,
transmission and
distribution.

Transport and
shipbuilding. Fluid
control. Robotics and
new materials.

With technological
achievements second
to none and respect for
the environment a
prime consideration.

GEC ALSTHOM wants
to make an even greater
contribution to
satisfying two
fundamental human
needs: energy and
transport.



NO ONE KNOWS HOW LONG
THE WORLD'S BEEN GOING ROUND,
BUT EVERYONE KNOWS
WHO HELPS IT MOVE FORWARD

GECALSTHOM

جی ال اس تھوم

UK NEWS

British Coal loss for last year may reach £500m

By Maurice Samuelson

BRITISH COAL, due to be privatised by the Conservatives in the next general election, is expected next month to disclose a loss of about £500m for the 1989-90 financial year.

That would be double the loss of the previous financial year.

However, a reconstruction of the industry's finances is expected to return the corporation to a modest profit in its current financial year.

The promise of a financial reconstruction was extracted from the Government earlier this year by Sir Robert Haslam, the British Coal chairman. It will rid British Coal of more than £60m of accumulated debts and liabilities.

Sir Robert, who was created a Life Peer in the Queen's Birthday Honours, has a contract that is due to expire at the end of the year and the Department of Energy is believed to be looking for a successor who would replace the coal industry for privatisation.

One possible successor is Mr David Kendall, a former British Petroleum executive, appointed as British Coal's joint deputy chairman by Mr Cecil Parkinson, the former Energy Secretary. Mr Kendall's contract ends on the same day as Sir Robert's. However, he has said little in public and it is not known whether he would like to stay on.

There are also ambitious insiders on the corporation's board, led by Mr John North, the other deputy chairman. Mr Malcolm Edwards, commercial director, and Mr Ken Moses, technical director, one of whom could become chief executive were the Government to replace Sir Robert with a part-time chairman.

Since Sir Robert took over four years ago from Sir Ian MacGregor, productivity has more than doubled after the closure of more than 100 pits and modernisation and reorganisation of the remainder.

Last year's losses reflect not only increased interest charges but also disappointing output levels caused by poor morale among miners and sectors of the management.

The miners' morale has not been helped by the growing environmentalist bias against coal or by threats from privatised power station operators to use more imported coal and natural gas as soon as the present three-year contracts come to an end.

It has also been influenced by the continuing loss of mining jobs, highlighted by last week's forecast by Sir Robert of another 7,500 redundancies in the next 15 months. That would reduce the workforce to about 50,000, nearly a quarter of the size when Sir Robert became chairman.

King Kong's shadow looms over Rainham

David Churchill looks at the battle to stop a £2bn theme park on a Thames-side wildlife site

TECHNICAL hitches may have meant that King Kong failed to frighten many of the Hollywood stars at the grand opening this month of the Universal film studios and theme park in Orlando, Florida. But the prospect of the 30ft-tall replica gorilla's next appearance being on a derelict wildlife site east of London is causing considerable concern among British wildlife enthusiasts and conservationists.

Universal's proposed building of studios and a theme park on 1,600 acres of marshland at Rainham in the London Borough of Havering at a cost of at least £2bn has united conservationists as never before.

The threat to birds, plants, insects and other wildlife that have found a home on the marshes is such that various pressure groups have sunk their traditional rivalries to combine against the threat posed by the development.

Even a £15m package to protect the environment offered by MCA, the US entertainment group which is spearheading the project, has failed to impress conservationist critics of the development.

Yet the wildlife of the marshland on the Thames, officially designated a site of special scientific interest, may yet be saved from the invasion of up to 5m tourists a year anxious to catch a glimpse of EastEnders stars or experience the Earthquake ride.

The decision on whether to site the studios and theme park at Rainham is expected to be taken within the next few weeks. MCA, imbued with the success of opening the Florida studios to complement its existing Universal Studios in

Los Angeles, is believed to be anxious to get on with the European project as quickly as possible.

It has already lost out to the Walt Disney Company in Florida, which opened a film studios and theme park last year, giving it a crucial marketing edge on the Universal studios in Florida. Disney, moreover, has also announced plans for a similar venture at Euro Disneyland to be built three years after the theme park opens in 1992.

MCA can still get in ahead of arch-rival Disney if work starts soon on the Rainham project, due for completion in 1994. It can certainly beat the proposed Disney/MGM Studios if it decides to build the studios outside Paris rather than outside London.

That is because the Paris site is technically much easier to develop since there are no important conservation objections nor any suggestion of radioactive material on site, as has been claimed at Rainham. Friends of the Earth believes that some waste radioactive material may have got on to the Rainham marshes, possibly from in-fill material used to shore up sea defences in the late 1960s.

Even if the amount of radioactive material is insignificant, as claimed by the building consortium, British Urban Development, which would actually build the studios for MCA, it will still take longer to develop the site than originally planned.

If the Paris site is chosen, then MCA would expect to complete the Rainham development in 1993 - a year ahead of the Rainham target date and



Disney's Mickey Mouse: the grin widens at the thought of difficulties facing rival Universal studios at Rainham

two years ahead of Disney.

It is not just the lure of beating Disney that makes Paris so attractive to MCA. The French Government has been keen to add the Universal Studios complex to the Euro Disney land complex and so create the leading leisure development area in Western Europe for at least the next generation.

Its approach has been typically pragmatic, cutting through the red tape that has dogged the Rainham development so far. "Certainly the French planning process is

simpler," admits Mr Anthony Young, president of MCA Enterprises International.

The French have sought to attract MCA with a hard offer of £250m in incentives and benefits to site the studios outside Paris. From MCA's headquarters on the west coast of America, such a firm commitment looks attractive, especially since it would neatly resolve the vocal lobbying by British conservationists.

MCA is not alone in its decision-making process. "The commercial viability of the

project is finely balanced between the two sites and it will ultimately depend on which government offers the best incentives," says Mr Terence North, director of leisure developments for the Rank Organisation.

Rank, currently in the middle of a £537m takeover battle for Mecca Leisure, linked up with MCA last year when it took a half stake in the £600m Florida studios. Although Rank has made no formal commitment so far to the European studios, it is almost certain to take a significant stake in the project. Not only does it have the funds available from a rights issue earlier this year, but it also has considerable technical expertise in the film and leisure industries which it believes can add to the project's success.

Rank clearly would prefer the studios to be built in Britain, not only because it believes its expertise would be most useful at Rainham but also because it suspects that admissions would be higher.

The theory is that most visitors to Euro Disneyland would be day trippers from the catchment areas in France, West Germany, the Netherlands and the UK. If so, then it will prove harder to attract those tourists to stay an extra day or so to catch the Universal Studios experience.

In the UK, however, the studios and theme park would be a big draw to visitors from the UK and overseas. The English Tourist Board believes it would become Britain's biggest individual tourist attraction, ahead of Madame Tussaud's or the Tower of London.

The British Government has not had the flexibility so far to come up with the sort of firm offer the French have been able to make. Yet supporters of building the studios in Britain - and that includes the UK film industry - have a formidable ally in Mrs Thatcher, who has championed the project over the past year.

Her difficulty is an unwillingness to be seen to subsidise the studios out of public funds, especially given the lack of Government aid for a high-speed rail link to the Channel tunnel.

In a bid to co-ordinate the special benefits that are available under existing Government legislation, a special Whitehall committee under the chairmanship of Mr Douglas Hogg, Industry Minister at the Department of Trade and Industry, has been set up. It involves all interested departments in finding ways of speeding up the internal bureaucracy.

Whether that will be enough to match the French offer remains to be seen. If the studios and theme park do go to Paris then it will be the second time in recent years that Mrs Thatcher's support for a big leisure development has failed.

Three years ago she officially launched work on the Battersea theme park, due to be built in west London on the site of a derelict power station. That park was due to open last month but now lies vacant while the bankers and lawyers bicker over what went wrong.

Over at Disney, it is no wonder that Mickey Mouse is wearing such a wide grin.

MoD acts to stimulate power supply competition

By Maurice Samuelson

THE MINISTRY OF Defence has switched suppliers of electricity for many of its premises in a government effort to test and stimulate electricity competition.

Southern Electric has acquired the supply rights to seven RAF establishments, including four in East Anglia previously served by Eastern Electric, two in the area of the Midlands Electricity Board and one in the Manweb (Merseyside and North Wales) area. However, Southern Electric

has also lost four other RAF bases to East Midlands Electric.

Competition is mounting among the 19 electricity distribution companies in England and Wales which next month will announce their last full year's financial results before being floated on the Stock Exchange. They will present a show of solidarity in the face of mounting competition for large portions of their business from the big two generators, National Power and PowerGen.

Soviet bank quits Juno project

By Stephen Fidler

THE MAIN sponsor of a plan to put a British astronaut into space from the Soviet Union has formally withdrawn its financial support for the project.

Moscow Narodny Bank, the Soviet-owned bank with headquarters in London, will confirm in its annual report, to be published formally soon, that it has withdrawn its financial support for the project. It said it had made full provision for the cost of the withdrawal.

Data companies warned of predators

By Alan Cane

THE UK's four largest computing services companies are likely to fall into foreign hands within three years as a result of ill financial management and acquisitions, according to an industry analysis.

Mr Richard Holway makes that prediction in the latest issue of the annual Holway Report, a comprehensive analysis of the financial strengths and weaknesses of more than 400 British computer software and services companies.

He argues that a frenetic bout of merger activity in 1988, when about 40 deals were done, involving total payments of more than £700m, left the industry with declining profit growth, depressed share prices

and low price/earnings ratios. He argues: "Many companies in the industry are now vulnerable to takeover and the buyers are more than likely to be from overseas. We believe that the top four UK computing services companies - Sema Group, SD-Scicon, Hoskyns and Logica - will be in overseas ownership within the next three years."

Sema Group, listed on the London Stock Exchange, is an Anglo-French company formed two years ago from the merger of the UK Cap Group and the French Sema Metra. Just over 20 per cent of its shares are held by the French computing services group Cap-Gemini-Sogeti.

British Aerospace holds 25 per cent of SD-Scicon and is thought to be anxious to sell its stake.

Hoskyns Group was put up for sale earlier in the year by GEC after the acquisition of Plessey by GEC in conjunction with Siemens.

Logica, which acquired the US company Data Architects in 1988, is often described as the "last large, independent UK software house". It shook the stock market last month with a warning that second-half profits would be significantly lower than expectations. The news took 27 per cent off the share price, reducing the group's market value by \$45m to £132m. The Holway report

shows that Sema Group, with a turnover of £238m, led the 1989 UK list of top revenue earners, followed by SD-Scicon (£233.2m), Granada Computer Services (£201.3m), and Hoskyns Group (£198.7m).

Only Hoskyns, however, makes an appearance in the top ten rankings by revenue growth, led by Systems Reliability, which grew 45 per cent to £134.5m.

McDonnell Douglas Information Systems led the rankings for profits before tax, with £27m, followed by Granada Computer Services with £20m and Logica with £15.5m.

The Holway Report, Richard Holway Ltd, 18 Great Austins, Farnham, Surrey, £235.

Report urges caution in telecoms competition

By Hugo Dixon

THE GOVERNMENT should be wary of introducing more competition into the telecommunications sector when it comes to review the British Telecom/Mercury Communications duopoly later this year, according to a report published today.

The report by the Business Performance Group - a think tank affiliated to the London School of Economics - argues that too much competition now would harm Mercury more than BT, so diminishing chances of long-term competition.

Mr Gordon Owen, the Mercury chairman, is a member of the group's board, but Mr Simon Taylor, the report's author and an economist at Cambridge University, said his study was independent of any business interests.

Mr Taylor says: "In terms of its three main objectives of price, quality and innovation, the Government's duopoly policy in telecommunications has been a considerable success." He also believes Mercury has pursued an aggressive approach to challenging BT, evidenced by Mercury's investment, market share and public profile.

Enhancing Competition. Business Performance Group, London School of Economics, 100 Brookings House, W1C 2AE. £20.

Glass federation launches recycling initiative

By Maggie Urry

BRITISH GLASS, the federation of glass-makers, is today launching a recycling symbol intended to encourage people to recycle glass packaging. The federation is asking food and drink manufacturers to put the symbol on labels of glass packaging.

The symbol consists of three arrows forming a triangle surrounding a pictogram of someone dropping a bottle into a bottle bank.

The same symbol is being promoted across Europe for glass packaging, so that, for example, a wine bottle



imported to the UK from France and a British coffee jar will carry the same symbol.

The move is part of an attempt to increase the rate of glass recycling in the UK,

which is low compared with other European countries. Mr Bill Cook, director general of British Glass, said the recycling rate in the UK had risen from 13 per cent to around 20 per cent in the past few years.

In many European countries the rate is above 50 per cent. However, the UK has a far higher proportion than other European countries of multi-trip glass containers, such as milk and beer bottles.

There are 4,700 bottle banks in the UK, 1,000 more than a year ago. British Glass had aimed to reach 5,000 by the end

of 1991 but now expects to achieve that level by the end of this year.

The European Commission is working on a draft directive covering the effect of drinks packaging on the environment. It may require member countries to reach a 70 per cent rate of recycling, including multi-trip recycling for glass drinks containers by 1997.

That might lead to difficulties for the UK industry, which makes a high proportion of clear glass. Recycled, coloured glass cannot be used to make clear glass.

Field Fisher Waterhouse
Solicitors are pleased to announce the opening today of their new City office at 41 Vine Street, London EC3N 2AA. Tel: 071-481 4841 Fax: 071-488 0084. Telex: 262613 ADIDEM G.

GRANVILLE SPONSORED SECURITIES						
Capitalisation	Company	Price	Change on week	Gross div (p)	Yield %	P/E
10071	Asst. Brit. Ind. Div.	280	-5	10.3	3.7	7.5
125	Amalgamated Banks	25	-	-	-	-
118031	Barton Group (SE)	150	+1	4.3	2.9	14.6
14700	Barton Group (SE) Pref. (SE)	97	+1	6.7	6.9	6.3
4294	Bray Technologies	71	-2	5.9	8.3	6.3
	Bray Tech. (SE) Pref.	92	0	11.0	13.4	-
1197	CCI Group Ordinary	315	+3	14.7	4.7	3.9
2038	CCI Group 11% Cont. Pref.	163	0	14.7	9.0	-
16740	Carbo Pte (SE)	210	0	7.6	3.4	12.4
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
	Carbo 7.5% Pref (SE) A Corp.	0.125	0	-	-	-
	Magnet Co Non Voting B Corp.	0.125	0	-	-	-
5337	ICI Group	67	-11	8.0	11.9	3.8
22091	Jackson Group (SE)	100	0	3.5	3.3	12.6
24022	Multimedia V (SE)	245	0	-	-	-
1348	Robert Jenkin	132	-3	10.0	7.6	4.8
15400	Servotronics	325	0	18.7	5.8	8.8
	Unicredit Europe Cont. Pref.	160	0	9.3	5.8	-
4295	Veterinary Drug Co. PLC	246	0	22.0	8.9	9.4
8539	W. S. Yip Ltd	381	+3	16.2	4.3	31.8

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of the ISE. These securities are dealt in strictly on a matched bargain basis. Neither independent. Companies Exchange Limited nor Granville Direct Limited are market makers in these securities. * These securities are dealt on a restricted basis. Further details available.

Granville Direct Limited
77 Mansell Street, London E1 8AF
Telephone 071-488 1212
Member of the ISE & TSA.

MIDLAND INTERNATIONAL FINANCIAL SERVICES BV
FRF 900,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997
For the period June 15, 1990 to September 17, 1990 the rate has been fixed at 10.04% P.A.
Next payment date: September 17, 1990
Coupon nr: 14
Amount: FRF 262,16 for the denomination of FRF 100,000
FRF 2,621,56 for the denomination of FRF 100,000
The Principal Paying Agent SOCIETE GENERALE ALSACIENNE DE BANQUE 15, avenue Emile Reuter LUXEMBOURG

Changes at Winchester Bowring

Mr H.C.L. Prior has been appointed chief executive and a joint deputy chairman of WINCHESTER BOWRING. Mr P.E. Williamson becomes a joint deputy chairman; Mr R.G. Stone is made managing director in charge of administration and finance; and Mr N.C. Frankland managing director in charge of broking. Mr J.H.C. Bassett, Mr J.W. Fahie, Mr S.A. North, Mr E.J. Randle and Mr L.G. Silver have been appointed directors.

THE AMERICAN BANKING & SECURITIES ASSOCIATION OF LONDON has appointed as chairman Mr George Ellis, general manager of First Bank National Association, London.

Managing director of BUE Ships

NORTH SEA ASSETS has appointed Mr Carl G. Rolleston as managing director of its subsidiary, BUE Ships. He has been its marketing director for the last five years.



LOMBARD ODIER has appointed Mr Sandy Bowes (pictured) as a director. He was a director at Lazard Investors, and will be responsible for UK marketing, promoting the specialist fund management services to pension funds.

Restructure at Mowlem International

Following the restructuring of MOWLEM's international division Mr Doug Ridley has been appointed chairman and Mr Wynn Kenrick managing director of Mowlem International. Mr Colin Gaudage becomes commercial and contracts director and Mr Denis Yell services director. Mr Frank Tarrant remains finance director. Mr Chris Evans, marketing, and Mr Brian King, estimating, become associate directors.

Mr Edward Griffiths has been appointed a director of ROUX RESTAURANTS. He continues as general manager with overall responsibility for operations and business development of Roux Restaurants, Contract Catering and Central Patisserie.

Mr Alan F. Herbert has become president of MEDI-PHYSICS, the former radiopharmaceuticals subsidiary of Hoffmann-La Roche Inc. This appointment follows the acquisition by Amersham International of Medi-Physics. Mr Herbert was formerly vice president and general manager of Bristol-Myers oncology division.

CHARTERHOUSE DEVELOPMENT CAPITAL, the development capital arm of the Charterhouse merchant and investment banking group,

has appointed Mr Michael Lennex as financial director. He joins from Central Trailer Rentco (part of Tiphook), where he was group finance director.

Mr C.M. Wilson has been re-elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS. He is chairman of Smiths Flour Mills, part of Northern Foods.



ALEXANDER STENHOUSE UK, London, has appointed Mr Laurence A. Law (pictured) as national services director. Mr William D. Greig succeeds him as central division director, at Potters Bar. Mr John Nicholson becomes Scotland division director, Glasgow, succeeding Mr Greig. Mr Chris Weaver has been appointed central division development director.

VIROC UK, Newbury, has appointed Mr Paul Dennis to the new post of technical sales

director for UK southern region. He joins from Rockwood.

Mr Mike Rigby has been appointed managing director of the N. & F. GROUP, Letchworth, part of Thurgar Bardex. He was deputy managing director.

Mr Christopher Callaway, formerly a corporate finance director of ANZ Bank, has been appointed a partner in the local advisory team of COOPERS & LYBRAND DELOITTE.

British Steel board change

Dr David Grieves, an executive director of BRITISH STEEL and chairman of British Steel Distribution, additionally becomes chairman of the General Steels Division from August 1. He succeeds Mr Gordon H. Sambrook who retires on July 27.

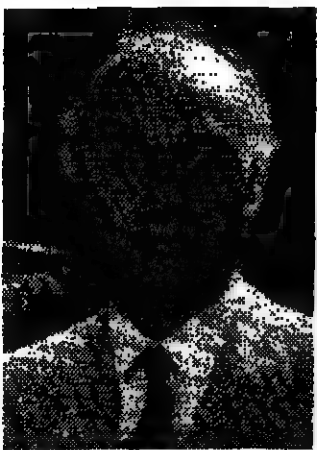
SMOKED DAMAGED QUALITY OFFICE FURNITURE FOR SALE
In Office Limited, as a favour to one of our corporate clients produced half a million pounds worth of smoke damaged stock which has now been completely returned to its original condition. If you are in the market for quality office furniture at clearance prices, please contact In Office Limited, for further details. Also available from our Scotland Office. Contact: Jonathan Shawwood.
In Office Limited
15 BELLA LANE LONDON NW4 2BP
TEL: 081 203 4000 FAX: 081 203 5701

MANAGEMENT

German reunion

An emotional conundrum

Villeroy & Boch, the West German porcelain and ceramics manufacturer, is looking at whether or not to reclaim its plants in the East. Stephen Fidler reports



Luitwin Gishert von Boch-Gallau

It is with more than the cold calculations of commerce that Villeroy & Boch, the renowned West German manufacturer of ceramics and porcelain, is eyeing potential acquisitions in the East.

The company's origins date back to 1748, 11 years before Josiah Wedgwood founded the UK establishment which bears his name. Villeroy and Boch merged in 1836. V&B was, until its offering of non-voting shares last month, owned by three families - the Villeroy, Boch and Schorlemmer - and is still controlled by them. The family names remain prominent on the company's executive and supervisory boards.

On its second centenary, V&B was split with the partition of Germany. In 1948, the company employed 3,000 people at three locations. Two of the factories - a plant in Dresden, manufacturing sanitary ware and one in Torgau making table ware and some sanitary ware - were in the East.

Forty-two years later, the pending economic and monetary reunification of Germany has led V&B to serious consideration of a reunion of its own.

"We have been negotiating since the beginning of the year to see if there is any way of having them back in our group," says Wendelin von Boch-Gallau, one of six executive board members and head

of the German domestic tableware division. "It is," he admits, "an emotional thing for us."

According to V&B, many West German companies have been talking about acquiring subsidiaries in the East, but many fewer are going ahead. "In West Germany, everybody

is interested in selling to the eastern market, but not in producing in East Germany," he says.

Adds Luitwin Gishert von Boch-Gallau, the executive board chairman: "Our perspective is different. Our current capacity should fulfil the EC markets, and we don't know where we'll get the extra capacity for the eastern market."

New plants in Luxembourg and in the Saarland should cover the company's expansion plans in the European Community. But "in all of the scenarios we worked out, the East European markets were not included," he says.

The East German market is attractive to V&B both in itself and as a door to other countries formerly in the Soviet orbit. "The East German government prevented exports of sanitary ware because of a desperate need at home. The market has been under-supplied for many years. Sanitary ware installations in private homes and public places are simply

very primitive and very backward," says Alfred Pangels, the executive director responsible for that business.

But the contrast between the two sides of the border could hardly be more severe. V&B's enthusiastic family ownership does not seem to have thwarted its development. It has become a dynamic company that is now a high-technology manufacturer and retailer of tiles, tableware and sanitary ware to a middle and up-market audience mainly, but not exclusively, in the EC.

The Dresden factory's reputation used to be second to none. "In the old days, when we still owned the factory, it had the highest standards, producing the most fantastic sanitary ware. Even nowadays, we stand in awe of its quality," says Pangels.

In East Germany, that factory still has a good reputation, but since 1948, according to V&B, quality has regressed. "Compared with western standards, it's not really up to scratch. Only a very small pro-

portion of the goods they are selling could be sold to western markets," he says.

The Torgau plant tells a similar story. "Comparing the products is like comparing a Dacia to a Rolls-Royce. I think their product line is not saleable in western countries or now even in the East. They're making cheap earthenware that East Germans don't even want to buy themselves. Their machinery hasn't developed in 40 years," says Wendelin von Boch-Gallau.

None the less, if it can find a way, V&B will go ahead with the acquisition of Torgau. Dresden, for which V&B quickly negotiated a letter of intent for an acquisition, is different. "As time went on, after we had got to know things better, we had to tell them that we didn't see any future for this company in Dresden," says Pangels.

The plant stands in Dresden city centre and the buildings are in poor shape. V&B believes that to make it viable



Product quality in the West far outstrips that in the East

it would have to tear it down and start again. Nobody, it says, starting from scratch, would build such a plant in the centre of Dresden.

V&B has now switched its attention to a plant making sanitary ware at Haldensleben near Magdeburg, with no historical connection to V&B. This factory, the largest in East Germany, was built about 12 years ago, and employs about 1,100 people - although 400 of them are making gift and decorative items, which V&B has no desire to produce. Management at this plant,

however, is talking to a number of V&B's competitors and it is too early to say who will succeed. V&B will insist that it holds a majority. Pangels says: "They need a western partner in every aspect of their business - technology, marketing, sales. And in each regard we feel that we can't do that as a minority partner. That's crucial for us because for quite some time it will not be very easy to make money in East Germany." These companies have no sales organisations since they sold their products to a single buyer.

V&B faces many obstacles. A suspicious workforce is worried about jobs; job losses will be heavy. East Germany's porcelain and ceramics industry employs 16,000 people, compared with about 17,000 in West Germany and 20,000-25,000 in the UK. Productivity is about one-third that in western Europe.

It will have to design and introduce some new products and ensure that quality control standards are maintained. Some decisions await legislation on questions of social security, health care and child care, which have hitherto all been provided at factory level. The kitchens of the factories, for example, supply meals to retired former employees.

And there is uncertainty about exactly who the company should be negotiating with. The management of the relevant *kombinate* - East Germany's big industrial groupings - started negotiations but subsequently lost their jobs. Talks are now continuing with local management though the ultimate decision about any deal will be taken at ministry level in Berlin.

But it is clear that although emotion played a role in pushing V&B eastwards, it will not be a deciding factor. Because of the difficulties, now much plainer than six months ago, V&B says it is determined not to overpay.

Specialist purveyors of tomorrow's ideas

Alice Rawsthorn takes a look at SRU, a consultancy with an unusual approach which tends to go for the radical solutions

Dennis Stevenson, chairman of the Tate Gallery and numerous other worthy bodies, non-executive director of Pearson and countless other companies, is not a man who is often lost for words. Not that, until it comes to talking about his company, SRU, and what it does.

"What do we do? Well, I suppose we are a sort of an off-balance-sheet unfixed overhead. You know, brains for hire, that sort of thing. But I do not know anyone like us or who does what we do."

SRU is one of British industry's best kept secrets. It is one of the very few consultancies with an office in the bluest of blue chip boardrooms. It works for everyone from Marks and Spencer, to ICI and Unilever. It tells Stanhope whether or not to commission a Richard Serra sculpture for its Broadgate development in the City of London. And it advises BAT on how to stave off the unwanted advances of Sir James Goldsmith.

What SRU does is to dream up ideas for big business. It is run by Stevenson with Peter Wallis and Colin Fisher. They are all very, very different. Stevenson is busy being great and good among the British establishment. Wallis is

best known, in his alter ego of Peter York, as the sociologist of the green welly-wearing Sloane Ranger set. Fisher is embroiled in the internal politics of the Labour party.

Their clothes give the game away. Stevenson wears well-worn tweeds. Wallis wears a parody of the Saville Row suit, an English version of the Deep South dandy look favoured by Tom Wolfe, the US novelist, on whom he is finishing a critical biography. Fisher sports the urban uniform of a sharp-shooted suit.

The roots of SRU lie in the late 1960s when Stevenson and Wallis were employed by a man called Conrad Jameson, who then ran a market research consultancy and who is now, as Peter Wallis puts it, "the sort of interior designer who tells very wealthy people what to put in their fridges."

Both were then in their early 30s. Stevenson had just come down from Cambridge "in a great gloom"

after astonishing himself by missing a first. Wallis, or so his colleagues say, had been selling sunglasses on Portobello Road, west London.

Two years later they borrowed \$12,000 from the bank and started the Specialist Research Unit, soon shortened to SRU. Their first project was a small marketing assignment for Charles Shoes. Colin Fisher joined shortly afterwards. He was the odd one out. He was a professional market researcher.

In the early days most of SRU's work was in market research. But from the beginning it cast itself in a different role from conventional research consultancies. "In those days market research was almost all about number crunching," says Fisher. "We were always more interested in ideas."

SRU grew slowly by gradually gaining new clients and moving into new disciplines. It has since advised ICI on its environmental policy; Ladbroke on investing new

forms of betting; and Dunhill on how to tap the Japanese lust for luxury goods.

Its work for Unilever has included devising a new structure for the group's European operations which involved streamlining 18 independent subsidiaries in different countries into one centralised operation in Brussels with national offices.

The SRU of today is composed of 45 people - 22 of them consultants - based in a sprawling old Georgian house squeezed between the second-hand computer shops and *nouveau* design consultancies on the fringes of the City of London.

The way SRU works is very idiosyncratic.

"I have really never come across any parallels," says Mike Dowdall, a director of Unilever. "We have used McKinsey for years and it is brilliant at what it does. But if McKinsey has a limitation it is that it tends to recommend the same thing as a democratic sample of the

board. SRU always goes for the radical solution."

"Most research consultancies tell you what is happening today," says John Hegarty, who, as creative director of Bartle Bogle Hegarty, the advertising agency, has worked with SRU for Levi Strauss jeans and the Independent newspaper.

"SRU talks about what is going to happen tomorrow."

"They tend to be specialists in a technical sense in that they home in on emotional and personal issues," says Stuart Lipton, chief executive of Stanhope, which has liaised with SRU on its developments at Broadgate and Kings Cross. "I don't know of another company like them."

SRU is also idiosyncratic in its methodology. There is the group of consultants who act as a research panel for its work in luxury goods. There is the notepad in reception on which employees record their comments. "Ghastly," "very good" and "my served gibbon was not

free range" - on a new product. There are the dinner parties it held when conducting research for the relaunch of French magazine.

"That is the difference between SRU and a conventional research consultancy," says David Thomas, French's editor. "SRU costs three times as much and it holds dinner parties."

SRU prides itself on achieving the *parabernalia* attached to most consultancies. In the age of the antecube there are no glossy brochures, no flipcharts, no slide shows, and no statistics.

Some people find it all too much. One client recalled watching Peter Wallis present a report to a roomful of accountants. "They expected the usual deferential consultant reeling off nice, neat bullet points that they could repeat to their bosses," he recalls. "Instead, in walked Peter, oozing insecurity. He spoke for two and a half hours without notes. They were terrified of him. One walked out."

"They are intelligent, intuitive people and they do not suffer fools gladly," says Wally Ollins, chairman of Wolff Ollins, the design consultancy which worked with SRU for ICI. "Not every client can handle that."

SRU is now at something of a watershed in its fortunes. It is a substantial business which generated around £5m in fees last year. It has a core of blue chip clients with which it has worked for years and which provides the bulk of its income. It also holds minority stakes in a string of other consultancies, including an econometrics unit and an industrial research company.

But if it becomes any bigger SRU could run the risk of becoming too big and too institutionalised. The way it works could change. The founders might find it more difficult to be so closely involved with projects.

In short, SRU could become less like itself and more like other consultancies.

"So far we have been able to enjoy ourselves," says Dennis Stevenson. "After 20 years in business we have not gone public and we only employ 45 people. We are really a failure."

LEGAL COLUMN

Lawyers' league table confirms late 1980s as years of strength

By Robert Rice, Legal Correspondent

TOP 20 SOLICITORS' FIRMS IN ENGLAND AND WALES BY MARKET SHARE BASED ON GROSS FEE INCOME IN 1989

Firm	Fee-earners	Partners	Market share %	Gross fees £m
1 Clifford Chance	598	195	4.2	163.8
2 Linklaters & Paines	523	119	2.9	113.1
3 Lovell White Durrant	525	119	2.5	97.5
4 Slaughter and May	515	85	2.2	85.6
5 Freshfields	480	98	2.1	81.9
6 Allen & Overy	481	90	1.9	74.1
7 Herbert Smith	400	85	1.8	70.2
8 Simmons & Simmons	403	105	1.8	70.2
9 Denton Hall	387	105	1.7	68.5
10 Norton Rose	380	89	1.7	66.3
11 McKenna & Co	324	85	1.4	54.9
12 Nabarro Matheson	353	96	1.3	50.7
13 Richards Butler	287	75	1.2	46.8
14 Cameron Mackay Hewitt	242	87	1.1	42.9
15 Evered White & Hind	248	52	1.1	42.9
16 Wilde Sapre	212	45	1.0	38.0
17 Stephenson Harwood	200	71	0.9	35.1
18 Clyde & Co	205	54	0.8	33.1
19 Turner Kenneth Brown	187	68	0.8	31.2
20 Acland Wilkinsons				
TOTAL FOR TOP 20			32.4	1,302.5
Others, 9,795 firms			66.6	2,597.4
TOTAL ALL FIRMS			100	3,900

Source: Fee-earners = partners, assistant solicitors, trainee solicitors and paid clerks. Figures taken from The Lawyer Top 100 Source: Databank Ltd.

Legal Services Bill are implemented, the report says. The lifting of restrictions on multi-national practices will result in increasing numbers of formal links among law firms within Europe and between Europe and the US.

The issue of multidisciplinary partnerships between accountants and solicitors is complicated by the significant handicap of differing practice rules and potential conflicts of interest.

A big stumblingblock would be the income differentials apparent between the fee-earning capacity of partners in the large City law firms compared with those in the large accountancy firms, it says.

The league table itself contains few surprises. Clifford Chance as the largest law firm has the largest gross fee income. Linklaters, as the second-largest, has the second-highest, and so on.

That holds true, more or less, throughout the top 20, although there are firms that

figure in the top 20 law firms by size but do not figure in this list. The figures have been derived from the percentage of market share attributed to each firm by Databank. As such they are accurate only to the nearest £100,000.

It is unlikely, for example, that Stephenson Harwood, Clyde & Co and Turner Kenneth Brown all have exactly the same gross fee income, but their respective gross fees are sufficiently close not to differentiate between them.

In general the figures are higher than might have been expected by using the rule of thumb that solicitors need to bring in roughly three times earnings.

Taking average partners' earnings to be £130,000, average assistant solicitors' salaries to be £40,000 and average trainee solicitors' salaries to be £16,000, Clifford Chance would have a gross fee income of around £140m. Linklaters £93.5m, Lovell White Durrant £83.7m, Slaughter and May

£76.5m, and Freshfields £74.7m. When the American Lawyer profiled Clifford Chance at the end of last year the magazine estimated the firm's gross fee income at £150m. That appeared to have been calculated on the basis that all fee earners billed 1,600 hours during 1988 at charging rates of £225 an hour for partners, £90 for assistants and £50 for trainees.

Using the same method, the gross fee income of Linklaters would be £92m, Lovell White Durrant £82m, Slaughter and May £76m and Freshfields £73.5m.

One year's gross fee income figures on their own tell us little about the firms concerned other than that they are not starving. Next year, however, the figures will at last give us an objective benchmark for assessing how well individual firms are performing.

UK Solicitors. Available from Databank Ltd, 26/40 Kensington High Street, London W8 4PP. £1.750.

WHATEVER YOUR CURRENCY, WE'LL MAKE IT GROW

At Barclays we realise that not all our customers want to hold their capital in sterling.

We also believe that our customers shouldn't have to pay substantial fees, before their money starts earning interest.

That's why we feel our Currency Deposit Account could be for you.

It's based in Guernsey and the account allows you to deposit capital in any of ten major currencies without first having to convert your investment into sterling.

We won't charge you to operate the account or, should you wish to, convert money from one currency to another.

Your capital will earn a competitive rate of interest paid gross and the account and book keeping is domiciled in Guernsey.

We'll also allocate you a personal dealer to look after your account.

So if you want to see your money blossom fill out the coupon below and we'll send you more details.

If you would like further information on this service, and current rates of interest, please complete this coupon and return to Peter Griffiths, Manager, Barclays Finance Company (Guernsey) Limited, Dept. 22, PO Box No. 269, Cambria House, New Street, St. Peter Port, Guernsey, Channel Islands.

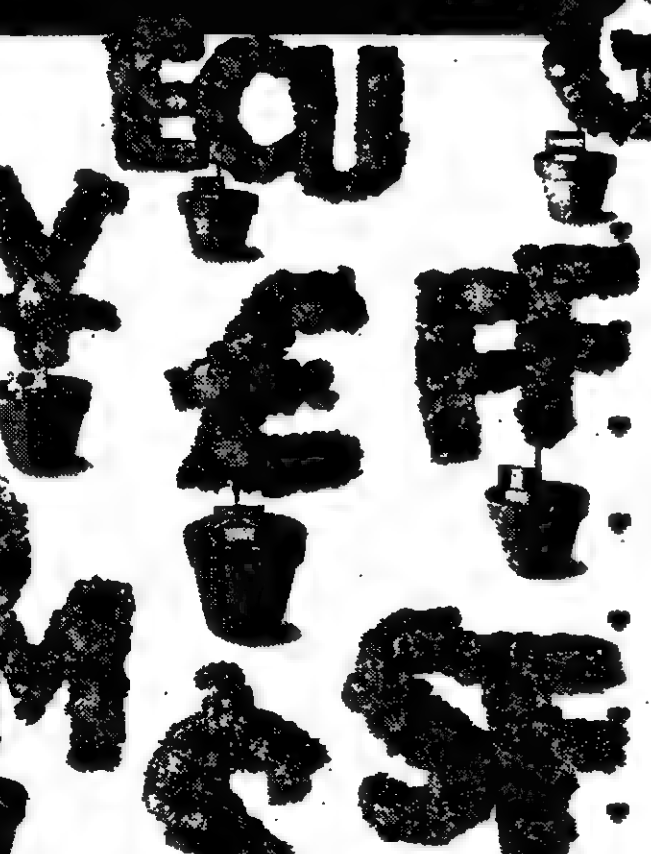
Name _____

Address _____

Postcode _____

Signature _____

Date _____



Barclays Finance Company (Guernsey) Limited has its principal place of business in St. Peter Port, Guernsey.

The paid-up capital and reserves of Barclays Finance Company (Guernsey) Limited exceed £13.5 million.

Latest audited accounts available on request from the Managing Director, Mr. Willie Allen.

Deposits made with offices of Barclays Finance Company (Guernsey) Limited, in Guernsey, are not covered by the Deposit Protection Scheme under the Banking Act 1987.

BARCLAYS

GUERNSEY FINANCE COMPANY

DEPOSITS CAN BE MADE IN THE FOLLOWING CURRENCIES: US DOLLAR, CANADIAN DOLLAR, NEW ZEALAND DOLLAR, DEUTSCHE MARK, FRENCH FRANC, SWISS FRANC, STERLING, AUSTRALIAN DOLLAR, ECU, YEN.

Just in time



SHARE INFORMATION FROM ANY PHONE. (THE IDEA SEEMS TO HAVE CAUGHT ON.)

Since we started FT Cityline we've had over 8 million calls. To try it out for yourself phone the number below or fill in the coupon.

Return to: FT Cityline, FREEPOST, PO Box 164, Forge Court, Yateley, Camberley, Surrey GU17 7BR. Please send me my FREE FT Cityline Share Code booklet ☐ I'd also like a FREE copy of the FT Cityline Unit Trust booklet ☐ Do you have any objections to these details being stored on computer and used for distribution purposes. Yes ☐ No ☐

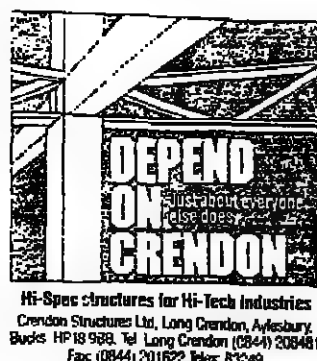
Name _____ Company (if applicable) _____

Address _____

FINANCIAL TIMES
CITYLINE

071-925 2128

FT Cityline reserves the right to withdraw Financial Reports without notice. Calls charged at 25p per minute cheap rate, 38p per minute at all other times. This service is currently not available outside the United Kingdom. FT Business Information Limited, Registered Office, Number One, Southwark Bridge, London SE1 9HL. Registered in England no. 980896. Calls from mobile telephones are charged at the Service Providers' normal mobile tariff plus the normal access charge for the service.



Overseas work for Taywood

The TAYLOR WOODROW GROUP has been awarded two North American contracts together worth some £18m.

The first is for a water pollution control plant in Pickering, Ontario, valued at more than £15m. The second, for California State University, is for a five-storey faculty building worth nearly \$15m. Both contracts have been awarded to Taylor Woodrow Construction.

The Canadian project, awarded by the Ministry of the Environment, involves the construction of two return and waste sludge pumping stations, eight secondary clarifiers, a chlorine contact chamber and effluent channel, together with supplying and installing various process, electrical and mechanical equipment.

The plant at Duffin Creek, Pickering, is scheduled for completion in the autumn next year.

In California, Taylor Woodrow has been awarded a second project by the trustees of California State University, following a contract to build a business school at Long Beach.

The project comprises the construction of a classroom, student services and faculty office building at San Bernardino.

The 133,000 sq ft building will be made of structural steel and metal decking, with precast concrete and glass exterior.

Rail station

Graham Wood's BLIGHT & WHITE subsidiary has won a contract for part of the Docklands Light Railway station at Olympia & York. The contract is for the Canary Wharf station roof structure, which will consist of a central high-level roof arching 35 metres above the platforms made of curved trapezoidal trusses with 80 metre spans.

CONTRACTS & TENDERS

THE EUROPEAN PARLIAMENT
NOTICE OF INVITATION TO TENDER
The European Parliament has published in the supplement to the Official Journal of the European Communities (O.J. 8/19/90) an invitation to tender for the renovation of a property in Brussels.

To assist and advise the European Parliament in connection with a new building complex in Brussels.

The deadline date for submission of offers is 13 July 1990.

Requests for details of this invitation to tender should be submitted to one of the following addresses by 22nd June 1990 at the latest:

The European Parliament
Information Office
2 Queen Anne's Gate
LONDON SW1W 9AA
Tel: 071-222 0411

The European Parliament
Buildings Division
Kitching
LUXEMBOURG 2009
Tel: 012 226 4300/3500

The European Parliament
Buildings Service
Rue Belliard
BRUSSELS 1040
Tel: 012 226 2243/3434

LEGAL NOTICE

APPLBY (INDLANDS) LIMITED

IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 84 of the Insolvency Act 1986, that a MEETING OF THE CREDITORS OF the above named company will be held at The Grand Hotel, Grosvenor Street, London W1A 3AE, on 20 June 1990 at 10.30 am for the purpose of having a statement of affairs presented to them and of electing a liquidator or other person to whom the company's affairs are to be referred.

The statement of affairs will be prepared by the Liquidator, who will also be responsible for the company's affairs.

Challengers who claim a right to be heard at the meeting should send a written statement of their claim to the Liquidator, who will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

The Liquidator will also be responsible for the company's affairs.

CONSTRUCTION CONTRACTS

London hospital scheme

JL PROJECT MANAGEMENT - part of the John Lasing Group - has won a major contract for the £200m Bloomsbury hospital project in London.

The construction cost for the new hospital will be £140m and JL Project Management, appointed by the North East Thames Regional Health Authority, will provide the project management services during the 10-year period when detailed planning and construction work is carried out.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

The scheme will comprise mainly new-build but about a third of the area will involve refurbishment of listed buildings including that designed by Alfred Waterhouse.

The Bloomsbury Hospital will contain 700 beds for in-patients and a further 75 beds for

and the new and adapted buildings brought into use.

The development will provide a teaching hospital on the University College Hospital site.

£12.5m orthopaedic centre for Bristol

CEMENTATION CONSTRUCTION, part of the Trafalgar House Group, has been awarded a £12.5m contract by the South West Regional Health Authority for the construction of the new Avon orthopaedic centre at

Bristol's Southmead hospital.

The centre will include accommodation for the orthopaedic rehabilitation and disablement services authorities and will provide 140 beds in five wards, four theatres, a day care facility for out-patients, a

hydrotherapy pool and work-shops.

The 12,000 sq ft centre will be connected to urology department by link corridors. Work is due to commence in mid June and is programmed for hand-over in November 1992.

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

New Northumberland shopping centre

Hunting Gate Developments and Aureole Investments, developers of Keel Row, a 19m shopping centre in Blyth, Northumberland, have awarded HUNTING GATE CONSTRUCTION the building contract on the 60,000 sq ft scheme.

This follows a competitive tender for the project, after the original contractor, Brims, was taken into receivership.

The overall confidence in Keel Row continues with the letting programme proceeding apace and already some 70 per cent of the retail space taken by multiple retailers. With completion in January 1991, only five standard and three kiosk units remain available to let.

Located between Regent Street, Bridge Street and Union Street, the development - which is Blyth's first covered shopping centre - links the town's prime shopping pitch around Market Place to the main bus station via a glass roofed mall. Twenty shops in total line either side of the mall and the glazed central square, which in turn links into a new 200 space surface car park.

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

Committee on a private bill: King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 2.00 p.m.)

£22.6m projects for Mowlem Northern

NOWLEM NORTHERN has been awarded contracts totalling £22.6m.

Orders worth £4.5m have been secured from English Estates North for industrial developments at Longbenton, for the Nelson Industrial Estate, Cramlington, and for high-technology units, also at Cramlington.

For Teesside Development

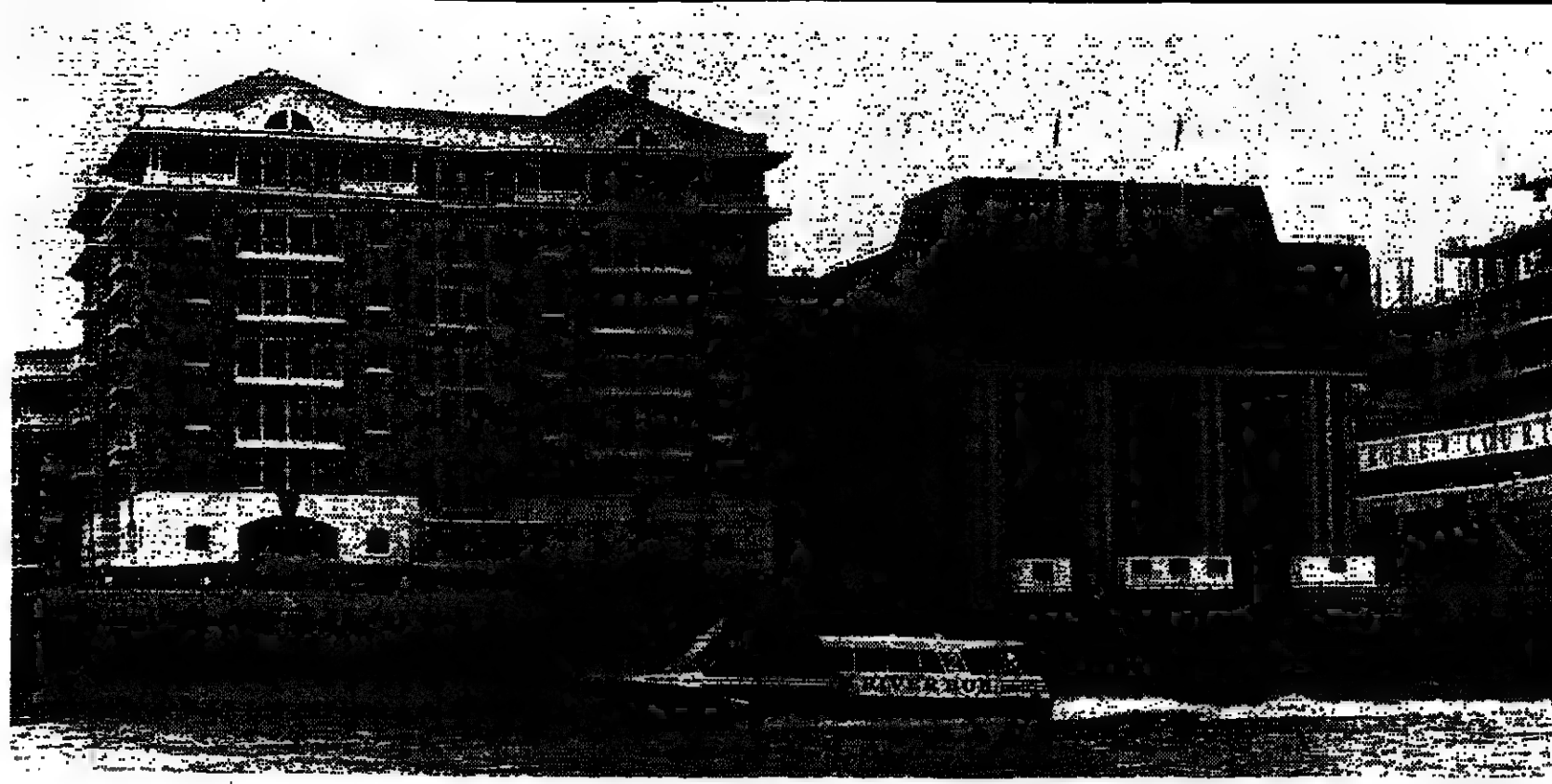
Corporation Mowlem is undertaking a £3.8m land reclamation project which includes removal of the foundations of a derelict 13 hectare industrial site at Teesside and replacement with crushed slag in preparation for a housing development.

At Goole, Humberside, the company is building a new office for Boothferry Civic

Council. The three-storey building costing £2.4m will provide a foyer with arched panels, and a council chamber, mayor's parlour and members' room, all finished with brown oak American oak panelling.

Due for completion in September is a £1.8m office development at Team Valley, Gateshead, for Enterprise Zone Developments.

Work includes the installation of gas fired indirect heating



All hung up on Bankside: Red Lion Court with its period face, left, next to the FT glass rectangle, Number One Southwark Bridge

ARCHITECTURE

Neighbours with an identity crisis

To help the reader understand what the following conversation is all about, he would be well advised to stand upon Southwark Bridge and look downstream towards the south eastern corner of the bridge where the headquarters of this newspaper are modestly situated. He will see two new buildings alongside the Thames. The one closest to the bridge (known as Number One Southwark Bridge, home of the FT) is a glassy box with protruding upper floors and granite clad supporting members all round the building. The other, downstream block has the air of an older construction with brick and stone and vaguely classical details, and is just being completed.

These two office blocks represent in a low key fashion the architectural dilemma. I wondered what the buildings themselves think about it all. The *Financial Times* building speaks first to his neighbour.

"I hope you don't mind my introducing myself, but I have been waiting for you to grow. You know Oscar Wilde said that it is only shallow people who do not judge by appearances - well, he would have been fascinated to know why we both look the way we do. I'm settling down in Southwark now, but I'm still waiting for them to finish my railings and my entrance; it's dreadful how long builders can take. Don't you think? They call me Number One, by the way, what's your name?"

"I'm glad you took the plunge and spoke first, because I have been glancing in your direction but I find all your smooth dark glass rather

inscrutable. It's hard to know what you are thinking. But then they call you 'no comment' don't they? I'm going to be known as Red Lion Court. There's a what not far from here called Red Lion Wharf and I suppose my developer, Mr Regalian, wanted to make me sound a bit historic because it's quite hard, you know, to get people to come to Southwark from the City, even though we're only a few yards across the river. Mr Regalian Properties are lucky to have pre-let me to Lloyds Bank. Not quite as stylish as *The Financial Times* of course."

"Oh, I wouldn't say that. The South side of the river seems to be quite popular with banks, you know. Just upstream the Midland Bank are building a huge cheque clearing centre, near where they're going to rebuild the Globe Theatre. But I'm sure you'll be at home here - after all, they call it Bankside. But forgive me being personal, but why do you already look like an older building? Is that something banks particularly like?"

"I don't know what banks have any architectural views. All I know is that the architects invented this new kind of architecture where you build a frame of steel and then hang on it what ever you want. Because there's a lot of local authority houses behind me I think the planners tried to get something that looked domestic. Would you, just for the benefit of your readers, like me to describe myself?"

"Yes please, speak away Red Lion Court - as long as I can do the same."

"Well, I don't want to boast, but I'm what is known today as a quality building. It's made of brick and stone

and my roots are pitched and look as though they are made of slate. Of course you know that really I'm just like you beneath the skin, but my architects think I'm the last word in current architectural thinking. You may think you are modern, but I am post modern, which is much more up to the minute. I have a rusticated stone base and these big arches and key stones on the ground floor that I'm very proud of. Don't you think they are rather grand? You can't miss my entrances. The round lanterns are rather swish too. But then the really special thing is that I've got pediments. Above my projecting white cornices (and they are a bit odd I must say, they make me feel quite awkward - a bit like having shoulder pads that are too big) there are traditional white triangular pediments. They just delivered them on the back of a lorry and swung them up here on a crane. I'm really made up of pieces that are made of the site. Somebody in your paper described me as 'wallpaper architecture' - I know what they mean, I have to thank them, my styling is only skin deep. What do you think of my granite stripes and my delicate balconies?"

"I rather hoped you wouldn't ask quite such direct questions. Those balconies don't look substantial enough to me and I wonder why on your wall you already have bricked up windows. It's the poll tax that Southwark are protesting about, you know, not the revival of a window tax. But let me tell you about myself; after all the FT has been longer in the world than I have. They tell me that your simple glassy appearance goes way back to the

late 1960's when I was designed in detail for another developer altogether - European Ferries I think it was. Anyway, when Mr Regalian bought this site he found he already had a completely designed building ready to go - even the working drawings were done. And so, although I was built at the end of the 1980s, I have to admit that I was designed at least 20 years ago. It is a bit embarrassing really because the FT ought to have had an office building that really was the state of the art. But you can't see inside me. They brought in Michael Hopkins and he has done a pretty cool exercise making the place work and look elegant. Funny enough, your arrival next door with all your colonial appendages has made me look rather sleek. I feel a bit more confident now."

"I never thought that the FT lacked confidence. You really do make me feel a bit nervous now, I'm not sure what I'm supposed to be. Do you think architects know what they are up to? Or are they just ready to do whatever fashion the developers want? The planners interfere a lot, don't they? Round here they have a job to know what is best for Southwark. But your smooth rectangle and my period face are just disguises for rentable floors. We don't have much to do with people or the city, you know, because we were just speculators. You can't get good designs without clients who really care. By the way, *Financial Times*, what's the name of your architect?"

"Well it's a big commercial firm called T.P. Bennett and Partners."

"Funny, that same as mine."

Colin Amery

Francesca and Clytemnestra

BLOOMINGTON

In one of the American-Russian educational exchanges that become increasingly common, the Moscow State Conservatory sent two graduates to Bloomington, Indiana, to sing in the first American productions of Rakhmaninov's opera *Francesca da Rimini*, given in a double bill, with a Bloomington orchestra, with John Eaton's *The Circle of Hell*. The libretto sung by Bloomington students, and then the bill went to Moscow, where a State Conservatory orchestra played. Rakhmaninov, whose *Alexo* was given at the Bolshoi in 1956, had a brief but apparently

brilliant period, 1904-06, as musical director there; *Francesca* and his Pushkin one-act *The Miserly Knight* were produced. *Francesca* has had few performances since though a Melodiya recording with Krasnashvili, Atlantov, and Nesterenko has had some circulation. I thought it a disappointment, ill-proposed, and undramatic opera. The libretto was Modest Chalkovsky. Too much of the work is prelude: Virgil and Dante entering the Circle of Hell where the shades of sensual sinners are endlessly whirled. After 57 pages of it, the story of Fran-

cesca and Paolo is enacted, none too deftly, in 80 pages, and there is a 20-page coda of wordless lamentation, back in Russian.

Nothing much stayed in the mind except a general impression of the turbulent instrumental writing, with the chorus treated as another orchestral division. The Russian singers had voices but they were stolid, undramatic actors. Francesca and Paolo pumped out love duets as if uninterested in one another.

Clytemnestra, on the other hand, made a powerful impression. It is one of the strongest

American operas, with vocal lines that etch themselves on a listener's emotions. (First seen at Bloomington in 1980, it has since been staged in New York, San Francisco, and Purchase.) Agamemnon's return to Mycenae is imminent: Clytemnestra recalls the sacrifice of Iphigenia (a memory scene), contemplates the welcome that she has for her husband (a murderous flash-forward scene), and as harsh furies blare out announcing his return she goes to meet him, resolute and triumphant, and the curtain falls. There are roles for Iphigenia, Calchas, Electra, Orestes, Aegisthus.

Past, present, and future alternate, and an extended cry from Clytemnestra, torn as if from her soul, punctuates the score. Maida Nelson was a gleaming, potent heroine. The opera is composed in quarter-tones, and for a small orchestra of soloists, with electronics. The Bloomington performance, conducted by Thomas Baldwin, was superb. It is against the odds that this production for Siegfried to make the sort of dramatic fuss we know from other stagings: we see him briefly torn between scholarly tutor and goblet-bearing Jester, and we sense traces of melancholy. His abilities still look unblemished, school-room

Andrew Porter

ARTS GUIDE

MUSIC, OPERA, AND BALLET

London

Abdullah Ibrahim and his band Skaya: Celebration! South Africa new nation! (Thurs). Royal Festival Hall (928 8800).
Aradia String Quartet with Clara Taylor (piano). Beethoven and Schumann (Wed). Purcell Room (928 8800).
Royal Philharmonic Orchestra conducted by André Previn, with Viktoria Mullova, Rehms, Elgar (Thurs). Royal Festival Hall (928 8800).
Paris
Alfred Brendel (piano). Haydn, Schumann, Beethoven (Mon). Salle Pleyel (4533875).
Lucia Valentini Terrani recital (Mon). Salle Gaveau (45332030).
Frans Bruggen conducting an 18th century orchestra and flute soloist. Bach, Schubert (Tue). Salle Pleyel (4533875).
Jessey Norman recital. Brahms, Mahler, Satie, de Falla (Wed). Salle Pleyel (4533875).
Brussels
James Bowman (counter-tenor), Philippe Foulon (viola da gamba), Florence Marguier (violin), Daniela Salzer (harpsichord) and Alain Viani (violin) play Buxtehude, Franck, Purcell and Telemann (Wed). Cercle Royal Gamulo (683 48 52).
Antwerp
Judith Vandenberghe (soprano) accompanied by Alain Franco (piano) songs of Bernstein, Messiaen, Satie, Strauss and Weill (Mon) Sint Elisabethgasthuis.

Frankfurt

Frankfurt Opera and Museum Orchestra under Gary Bertini with Kyung Wha Chung (violin) plays Webern, Mozart and Tchaikovsky (Mon).

Milan

Mikhail Pletner (piano) playing Tchaikovsky and Chopin (Mon). Teatro Alla Scala (80 91 26).

Rome

Giuseppe Sinopoli conducting Beethoven's Missa Solemnis (Mon, Tues). Auditorium in Via Della Conciliazione (6641044).

Madrid

Paul Badura-Skoda (piano). Mozart (Tues). Auditorio Nacional de Musica (337 01 00).
Jan Foustain (piano). Schubert, Liszt, Chopin (Wed). Auditorio Nacional de Musica (337 01 00).
Irina Zurlina (soprano) and violin virtuoso. Handel, Paganini, Rachmaninov, Dvorak, Brahms, Ravel (Mon, Tues). Tardini, Handel, Mozart, Bach, Albini, Paganini, Shostakovich, Rimsky Korsakov, Prokofiev, Stravinsky (Wed, Thurs). Teatro Monumental (230 53 93).

Barcelona

Philharmonia Orchestra conducted by Charles Dutoit. Berlioz, Falla, Prokofiev (Mon). Palau de la Musica Catalana (301 83 43).

New York

Marilyn Horne recital with Martin Katz (piano). Dvorak, Gershwin, Berlin, Kern (Thurs). Carnegie Hall (247 7800).

Tokyo

Oleg Malenber (piano). Rachmaninov, Prokofiev, Tchaikovsky, Stravinsky (Tues). Tokyo Bunka Kaikan, recital hall (401 9641).

Japanese Classical Music. Works by Tokuhiko Nishi for traditional instruments, conducted by the composer (Tues). Tenda Hall (408 1851).

Orchestre de Chambre Jean Francis Peillard, with Gerard Jarry (violin). Pergolesi, Haydn, Bach (Wed). Tokyo Bunka Kaikan (288 5838).

Japan Philharmonic Orchestra, conducted by Ken-ichiro Kobayashi, with France Cidlet (piano). Liszt, Stravinsky (Thurs). Suntory Hall (284 5811).

The King's Consort. Handel, Vivaldi, Purcell, Bach (Thurs). Casale Hall (408 5871).

London

English National Opera, Coliseum. No performances until August.
Ballet. At the Coliseum the glorious Kirov Ballet brings in a new staging of *The Sleeping Beauty* (Tues, Wed). At Covent Garden the Royal Ballet presents *Romeo and Juliet* (Wed).

Paris

Chamber. Handel's *Alcina* inspired by *Orlando Furioso*, conducted by William Christie with Andrea Anger in the title role is co-produced by the Grand Théâtre de Genève and the Ensemble Orchestral de Paris (4022240).

Brussels

Théâtre Royal de la Monnaie. Richard Strauss's *Der Rosenkavalier* performed by the Monnaie opera and orchestra conducted by Emil Tjekravsky, sets by Carlo and staged by Gilbert Gode with Judith Beckmann, Gunter Misenhardt, Lutz Poulson.

Liège

Théâtre Royal. The Royal Walloon opera in Puccini's *Manon Lescaut*, staged by Pierre Fuma with Jules Bastin, Daniel Menez, Danuta Salska, Marcel Vanaut.

Berlin

Opera. *Der Feuerengel/Le Sacre du Printemps/Bolero* are all choreographed by Maurice Béjart. *Don Giovanni* has a new cast led by Angela Denning, Stefan Margis, Marietta Kemmer, Julien Robbins, Manfred Rost and conducted by Heinrich Hoellreiter. A *Liederkreis* by two famous bass singers Kurt Moll and Harald Stamm singing Mendelssohn, Anton Rubinstein, Dvořák, Ravel, Shostakovich, Mattisen and Schubert. *La Bohème* is sung by Kallen Esperien, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. Also *Der Barber von Sevilla* and a Knja Boris Lieders recital.

Hamburg

Opera. The Brecht/Weill opera *Aufstieg und Fall der Stadt Mahagonny* has a strong cast led by Ning Liang/Renate Springer, William Hall, Eva Glöckler, Oskar Fuespöthler (Piotr Czapkowski and Toni Blankenbush).

Frankfurt

Opera. The successful *La Cenerentola* production by Anna Pazar and Keith Lewis. Also offered *Il Barbiere di Siviglia*.

Cologne

Opera. Jean Pierre Fonnelle's wonderful *Die Hochzeit des Figaro* production features Ashley Putnam, Teresa Ringholz, Alessandro Corbelli and Martin Fink. *Die verkaufte Braut* is a well done repertoire performance.

Munich

Opera. Rossini's rarely played *Mosè in Egitto* by Cornelia Wintrop, Daria Soffel, Alejandro Ramirez and Manfred Schenk. *Alcina* has a first-rate cast led by Daphne Evangelista, Mariella Devia, Leo Nucci and Kurt Moll. *Orpheus* has John Cranke choreography. *Die Jungfrau von Orléans* stars Waltraud Meier, Julia Conwell, John Broecker and Theo Adam.

Milan

Teatro Alla Scala. Last opera this season is a slightly sinister rendering of Tchaikovsky's *Queen of Spades* by the Russian/American cinema director Andrei Konchalovsky set in a twilight 18th century, designed by Ezio Frigerio. Minella Freni, Vladimir Atlantov and Margherita Zimmermann lead the cast, conducted by Seiji Ozawa. Also a repeat of *La traviata*, conducted by Riccardo Muti, with the young Tiziana Fabrizzi as Violetta (20.81.25).

The Black Rider

VIENNA FESTIVAL

The charming Austrian lady MP on the flight over tutted and chuckled at the mention of the Vienna Festival, confidently hissing that it was not always very good. (I said we had the same trouble with Edinburgh.) She added, conversely, that Salzburg was outrageously overpriced and hard to get into, and you could catch the same things at the State Opera.

Without wishing to trespass on my musical colleagues' territory, I can confirm the solid virtues of a *Zauberflöte* at the Staatsoper. Carlos Kalmar, a young conductor new to me, directed a plausibly symphonic reading, warmer and richer than we purist Anglo-Saxons are now used to. A little speedy for Monostatos (a real tenor, unlike Covent Garden's dry-voiced comprimario), a little slow for Sarastro (though the venerable Kurt Moll's "in die hellen Hallen" was nobly sung), the performance boasted the most mellifluous Three Ladies of my experience, Luciana Serra in effortlessly sprightly form for the Queen of the Night's second aria ("O schmerz! Ich hab' mich selbst getötet") and Dean van der Walt transformed by the Staatsoper's comforting acoustic from the ready *tenore di grazia* we know in London into a ringing near-hercule Tamino. Anton Schiringer wasted no gags on the audience, possibly because it consisted mainly of Japanese and Americans, so his Pa-

geno seemed incomplete despite a hefty but focused bass-baritone, a facial resemblance to the young Hermann Prey and hints that he could clown adequately if put to it by Otto Schenk's unobtrusively conventional production.

Robert Wilson should have a go at *Zauberflöte*. The American theatre wizard has collaborated with the writer William Burroughs and rock musician Tom Waits on a version of *Der Freischütz* that owes more to Thomas de Quincey's *The Fatal Marksmen* than Weber's opera. The Thalia Theater of Hamburg brought their world premiere production to the Messepalast for the crowning peak of the Festival. *The Black Rider* or *The Casting of the Magic Bullets* was a wonderful stylistic mixture of grotesque comic-strip, expressionism and sent-up Hammer horror. *Doctor Caligari* crossed with *Cabaret*.

Burroughs' text spoken recounts the folk tale of the marksman who bargains with the Evil One in return for what the English synopsis referred to as "enchanted balls." Easy, perhaps, to read a certain subtext into the story: the seeker for truth's dabbling in prescribed arts; Burroughs' own creative life has meandered down arcane paths of drugs and sex. The production beautifully underlines the poisoned folk tale of the last's hand of simple and sinister. The auditorium rings with fairground music. A magician's cabinet

spews out the cast of ashen-faced, insect-eyed automata. Wilson both uses and subverts the traditions of horror, both sending them up and exploiting them to create a world of nightmare menace.

The dialogue is German with quite a bit of English thrown in ("Put down a pen and pick up a gun/Easy said and *schoer getan*"); the songs are sung in the American that now passes for English on the continent, and indeed much of England. Tom Waits himself has mentioned Brecht and Weill in connection with his new numbers; in fact the haunting tunes and gothic imagery put the score in a more romantic mould. One hesitates to drop the dread name of Lloyd Webber - Waits' songs are tougher, more melodic and more gutsy - but this is the sort of music that could, should, have clothed *The Phantom of the Opera*.

Silhouettes, bird-headed creatures, a dream landscape of bloody cadavers of men and beasts, a tragicomic hero whose trousers fall with the comic promptness of a farcical stooge, a leering tempter who drags his searlet coat-tails along the ground like a red rat and some accomplished vocalising - all leave one uneasily uncertain as to how tongue-in-cheek the treatment is; and how forked and flickering the tongue may be. A fascinating show.

Martin Hoyle

Philharmonia

FESTIVAL HALL

For a long time after the Second World War, Prokofiev's Fifth Symphony was heard more often than Shostakovich's; now, much less. It is a good piece, in its truculently confident way, and it was good to hear it again last Thursday in Charles Dutoit's well-sprung performance with the Philharmonia. I doubt that Prokofiev's "Andante" for the opening movement meant something quite so measured as Dutoit's tempo (Russian conductors at home and abroad prefer a brisker pace), but it was finally heard, and the clamour went off with terrific reports.

The cool Dutoit never pulls music about, though he gave full value to expressive effects like the crackling, shrieking close of Prokofiev's finale, and there the Philharmonia

players sounded shyly British about characterising the material in unabashed Slav style. One realised that with a jolt when - by contrast - it is a good piece, in its truculently confident way, and it was good to hear it again last Thursday in Charles Dutoit's well-sprung performance with the Philharmonia. I doubt that Prokofiev's "Andante" for the opening movement meant something quite so measured as Dutoit's tempo (Russian conductors at home and abroad prefer a brisker pace), but it was finally heard, and the clamour went off with terrific reports.

The cool Dutoit never pulls music about, though he gave full value to expressive effects like the crackling, shrieking close of Prokofiev's finale, and there the Philharmonia

thing) failed to achieve perfect rapport in the Jota.

In the lovely Berlioz cycle *Les Nuits d'été*, the conductor shaped exquisite passages in the accompaniments - the passing apparition in "Au cimetière" was magical - while his soloist, the mezzo Jarda van Nes, did her own Dutch thing.

It is a lovely voice; plain sincerity and dogged rhythm are not enough for the *Nuits d'été*, however, nor experimental French vowels, nor weak attack on the top notes of "Villanelle" or "Le Spectre de la Rose" (imprudently slow, anyway). In other things, Miss van Nes is generally a great pleasure to hear.

David Murray

Kunakova and Zelensky

COLISEUM

The beauties of the Kirov "Swan Lake" - that combination of clarity and assurance in dance; serenity and dignity in form - seemed at their most vulnerable on Saturday afternoon as a frame for the performances of Ljubov Kunakova and Igor Zelensky. Kunakova is an established and distinguished ballerina; Zelensky a young man on the brink of what must surely be a magnificent career. His interpretation is at present impeccable in manners, broad in gesture, feeling controlled in Kirovian fashion, the role of the youthful prince drawn with a touch of simplicity. It is against the odds that this production for Siegfried to make the sort of dramatic fuss we know from other stagings: we see him briefly torn between scholarly tutor and goblet-bearing Jester, and we sense traces of melancholy. His abilities still look unblemished, school-room

pure: they promise great things. The partnership with Ljubov Kunakova is happy. She is an artist who draws us into her role by the clarity of steps, ing. The choreography is generously exposed - her arms crown every action; her line is pure, musically responsive in setting out a phrase - and the dramatics are unambiguously true. Lovely the clarity of her dance. Odette, that she rises to the greatest emotional moments of the pas de deux so that feeling seems to course through each movement; admirable the way in which her Odile dominates Siegfried without "femine fatale" antics destroying the limpidity of her style. It is a performance, like Zelensky's, that tells of the continuing genius of the Leningrad school, and the abiding merit of the purest academic classicism.

Clement Crisp

June 15-21

OBITUARY

Dame Eva Turner

Dame Eva Turner, one of the outstanding dramatic sopranos of the inter-war years, has died, aged 98.

Eva Turner was born at Oldham, Lancashire, in 1892 and brought up in the theatre, where she studied singing with Dan Rootman, continuing her training in London at the RAM. The "prentice years" were spent with the Carl Rosa Opera Company, singing a wide range of parts between 1916 and 1924, when she studied singing with the Toscanini's assistant Stora Panizza heard her and arranged for her to audition with the master, who engaged her for La Scala, Milan.

Her debut there (as Freia in *Das Rheingold*, in 1924) marked the beginning of an international career which brought her on several occasions to Covent Garden at a time when British singers, in the summer seasons at least, were rarely heard in major roles. The voice was huge, under iron control with brilliant cutting power but also plenty of warmth. The top was impregnable, the low notes firm without chestiness, the middle register lustrous and strong.

Turner's most spectacular role was the heroine of Puccini's *Turandot*. The high tessitura held no terrors for her - when many years later she heard Alfano's first version of his ending to the unfinished third act, she exclaimed "I

would love to have sung that." Notable concert appearances with Beecham at Queen's Hall included, on one occasion, excerpts from "Les Troyens" and on another a thrilling account (in Finnish) of the formidable *Laurin* of Sibelius.

The Second World War robbed Turner of what should have been the climactic years of her operatic career. Instead of returning to the US, where she had been heard in three seasons at Chicago, she preferred to remain in wartime Britain, singing at concerts (the Proms included) for the general public and for the

She re-appeared at Covent Garden as Turandot in 1947 and 1948, then slipped unostentatiously from singing to teaching at the University of Oklahoma from 1950 to 1959, later at her old London college, the RAM.

For many years at home and abroad Eva Turner continued to share her wisdom and experience with young artists and, through radio and TV, with wider audiences. She was greatly loved for her spontaneous, down-to-earth friendliness, accessibility, helpfulness and unquenchable energy.

She was made DBE in 1962 and her 90th birthday in 1982 was marked by a big public celebration at Covent Garden.

Ronald Crichton

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-573 3000 Telex: 922186 Fax: 071-407 5700

Monday June 18 1990

Schengen back on track

THE treaty of Schengen, abolishing all frontier controls between France, Germany and the Benelux countries, is to be signed tomorrow. This follows a six-month delay caused by the dramatic turn of events in East Germany last autumn. The treaty was to have been signed on December 15, but at the last minute the West German Government backed out.

The treaty requires its signatories to enforce controls to a common standard at their frontiers with third countries; only on those terms did each feel confident that it could abandon its national controls with impunity. In the circumstances of last autumn East Germany would have been a third country and therefore the frontier of "Schengenland" would have run along the inner German border. By last December the idea of imposing controls on that border from the western side had become unthinkable.

The problem would still arise today if the treaty were to enter into force immediately on signature. But it requires ratification by the national parliaments of all the signatory states, which is expected to take at least a year. The signatories hope that the actual dismantling of the frontiers can happen by January 1, 1992; and they are tacitly assuming that by then East Germany will be part of the Federal Republic, so that the eastern frontier posts of Schengenland can be constructed along the Oder-Neisse line.

Internal market

Seven EC member states find themselves outside Schengenland - some of their own volition, others (notably Italy) because they are not yet in a position to guarantee the impermeability of their "external" frontiers (or coast) to the standard that "the internal market" shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured.

The European Commission,

supported by most of the member states, argues, plausibly enough, that this implies the removal of all border controls within the Community. Those who resist that argument - notably the British Government - take their stand on the words immediately following those quoted: "in accordance with the provisions of this treaty". The treaty in question is the Treaty of Rome, which the Single Act amended.

Unimpeded movement

Britain argues that, while it certainly envisaged unimpeded movement for the nationals of member-states, it did not intend this privilege to be extended to nationals of third countries. Ergo, member states may maintain border controls in order to check the movements of third-country nationals between them. Also, Britain quotes the declaration accompanying the Single Act under which: "Nothing in these provisions shall affect the right of member states to take such measures as they consider necessary for the purpose of controlling immigration from third countries, and to combat terrorism, crime, the traffic in drugs and illicit trading in works of art and antiquities." Needless to say, Britain counts border controls among such measures.

The first of these arguments is mere legal logic-chopping and flies manifestly in the face of the whole spirit of the act. The second is more serious. Clearly, before removing border controls at national frontiers, the authorities in each country need to be confident that they can have confidence in the policing of the common external frontier by all the other member states, and that their chances of apprehending terrorists, drug dealers and other serious criminals are not seriously impaired. The agreements reached last week in Dublin by Justice and Interior ministers should help to achieve that.

Meanwhile the five Schengen countries are to be congratulated on their bold experiment. The results during 1989, when their treaty is already in force and the last details of the internal market are being negotiated within the Community, will be monitored with intense interest.

The politics of NHS reform

THE timing of politically sensitive reforms is all important. Sir Norman Fowler's overhaul of the UK social security system went through relatively smoothly because implementation of the changes was delayed until after the 1987 general election.

In 1988, however, the Thatcher Government's triumphal mood led it to take bigger risks with National Health Service reform. Controversial changes - such as the creation of self-governing hospitals and the delegation of cash budgets to general practitioners - are scheduled for next April, dangerously close to the next general election. With the Labour Party well ahead in the opinion polls, ministers are understandably anxious to avoid a wave of protest about the "dismantling" of the NHS.

During the past year, ministerial rhetoric has subtly changed. The original goals of NHS reform were couched in commercial language. There was much talk of the virtues of an "internal market" in which hospitals would have to "compete" for the custom of patients. Much of this terminology has since been dropped. Districts have become "commissioners" of care, GPs will be "fund-holders" and the different parts of the NHS will "contract", rather than compete, with each other.

Thus described, the reforms appear evolutionary rather than revolutionary, a natural progression from earlier efforts to improve efficiency.

Changes in terminology

The changes in terminology are sensible. It was stupid to alarm doctors needlessly with talk of markets and competition. But it would be wrong to suppose that Mr Kenneth Clarke, the Health Secretary, is yet prepared to postpone or radically amend his proposals. On present plans, health authorities are to be reconstituted along business lines, cash budgets delegated to a number of family doctors and some large hospitals converted into legally independent agencies.

It would make sense to talk of a major climbdown only if the Government announces that no hospitals will become self-governing before the next election or that the plan to cre-

ate fund-holding GP practices has been dropped.

Mr Clarke is pressing ahead with the creation of new structures within the NHS. There is, however, a general recognition that change is likely to be more apparent than real for several years. This is less a reflection of loss of nerve on the part of ministers than of the sheer complexity and inertia of the NHS, which remains the largest civilian employer in western Europe. Once contracts are in place, commissioning districts will in principle be free to purchase services from any hospitals in the public or private sectors.

In practice they are likely to start by placing contracts with their existing suppliers; change will thus occur at the margin. The same is likely to be true of fund-holding GPs and newly independent NHS hospital trusts.

Split responsibility

At bottom, the NHS reforms are about creating a division between the purchase and the provision of health care. As hospitals are spun off as independent trusts, districts will gradually lose responsibility for the direct provision of care. In theory, this will allow them to concentrate on their primary task which will be to assess the health needs of their resident populations and arrange for cost-effective and high-quality care. In the long run, this split of responsibilities could lead to big changes in the distribution of resources between medical specialities and to a bigger role for private providers. But change is likely to occur gradually, regardless of election timetables.

There are many risks associated with the reforms, not least the possible fragmentation of services.

If the Government is forced to proceed a little more gingerly than it once planned, this may be no bad thing. But it would be wrong to abandon the goal of separating the purchase and provision of care.

In the longer term, if backed by sufficiently generous funding policies, this could result in significant improvements in the quality of patient care. It is an apolitical strategy which the modern Labour Party could profitably endorse.

In the annals of the European Community, the letters CAP - for Common Agricultural Policy - have long spelled muddle and unnecessary expense. They still do, but for a new reason: the EC's half-hearted efforts to agree on a common aviation policy.

To universal amazement, EC transport ministers reached a compromise last December on the broad principles of such a policy. But as the same ministers gather in Luxembourg today to finalise the detailed rules to apply between now and the beginning of 1993 - when full freedom of the skies is supposed to be introduced across the EC - the odds appear stacked against any immediate breakthrough.

A set of insidious and interrelated forces is now threatening to undermine the competition the European Commission is attempting to inject into European air transport to give consumers wider choice, better service and lower fares. They could be defined as the "three Cs".

● Collusion between governments and their national, mostly state-controlled, airlines risks slowing down the liberalisation agenda in an effort to give flag carriers more time to adapt to a more open and competitive market. The French Government, for example, committed itself to airline deregulation last year but in the same breath also locked up the French market by encouraging Air France to take over UTA and Air Inter, the two other principal French airlines.

● Congestion at European airports and airways is seriously hampering the task of creating a more competitive airline industry in which new entrants, regional carriers and independent airlines have a chance of surviving and prospering alongside the large flag carriers. At the same time the huge investment costs required to improve Europe's inadequate air traffic control system and airport infrastructure will undoubtedly be passed on to the passenger in the form of higher ticket prices. The Association of European Airlines (AEA), grouping 21 European carriers, last week described 1989 as "the blackest year ever" for flight delays with almost one quarter of all flights in Europe leaving more than 15 minutes late.

● A continuing decline in the European airline industry, with the likely emergence of five or six big airline groupings, could further stifle competition. As industry costs rise rapidly and profits decline, smaller airlines are increasingly worried that they will be squeezed out of the market by the big airline combinations currently being formed through mergers, cross-share-

'I fear that EC administrative confusion coupled with the lack of runways and Europe's air traffic control problems will simply create a gridlock situation in Europe'

holding agreements and commercial pacts. How these airline groupings will be allowed to develop is becoming an important test for EC competition and air transport policy currently being formed through mergers, cross-share-

holding agreements and commercial pacts. How these airline groupings will be allowed to develop is becoming an important test for EC competition and air transport policy currently being formed through mergers, cross-share-

Amnesty on the rise

One good thing leads to another. After the relaxation in Eastern Europe, the pressures for greater human rights in the third world appear to be growing.

At least that is what the membership figures for Amnesty International suggest. Membership of the British section has risen from around 35,000 in October 1987 to over 82,000 at the most recent count. They cannot all be concerned mainly about political detainees in Czechoslovakia and the Soviet Union, since those are the numbers that are coming down.

The bulk of the new British members are aged between 18 and 35, and although there is some overlap with the green movement, the group does not seem overly party political. Worldwide membership has also been expanding rapidly. There are now about 760,000 members altogether, in 44 sections including one recently opened in Tunisia, the only section in the Arab world after the one in Sudan had to close.

Marie Staunton, the outgoing Director of Amnesty, thinks that China and the events in Tiananmen Square had a lot to do with it. Because they were shown on television screens around the globe, there was an upsurge of interest in the rights of individuals often caught up in a power struggle through no fault of their own. New technologies have helped in other ways, too. Amnesty now has a network which allows it quickly to send telexes and faxes on behalf of people it believes to be in immediate danger.

But there are also new problems. There is now a tendency for people to "disappear" rather than be held as political prisoners without trial. Such cases are much more difficult to follow up, as we know from events in Argentina and Uruguay not long ago. Staunton herself is moving

A series of interrelated forces is threatening to undermine air transport competition in Europe, write Paul Betts and Tim Dickson

Why open skies are under threat

and Air Inter, its domestic rivals. He is almost certain to take similar action to try at least to modify the terms of the joint venture deal between BA, KLM Royal Dutch Airlines, and Sabena, Belgium's national carrier.

Supporters of liberalisation believe that rigorous application of competition rules is an essential complement to deregulation. They cite the lessons of airline deregulation in the US.

Since the law deregulating the US airline industry came into force in 1978, more than 200 airlines have disappeared or been absorbed by a clutch of giants. Before that year, the five biggest American airlines controlled 68 per cent of passenger business in the US. But rather than reducing concentration in the American industry, deregulation has increased it. The five largest airlines now control more than 70 per cent of traffic and dominate key airport hubs.

In this respect, US deregulation failed because it coincided with the Reagan Administration's relaxed approach to anti-trust and merger controls. Established airlines were thus able to exploit inherent strengths to protect their market position and to ensure they were not effectively challenged by new players.

That is why the European Commission, as part of today's Luxembourg package, will be seeking an extension of its existing legal powers to stamp out so-called "predatory practices" like artificially low fares, unfair selling tactics, or attempts by players in a particular market to block new entrants by multiplying capacity or increasing flight frequencies.

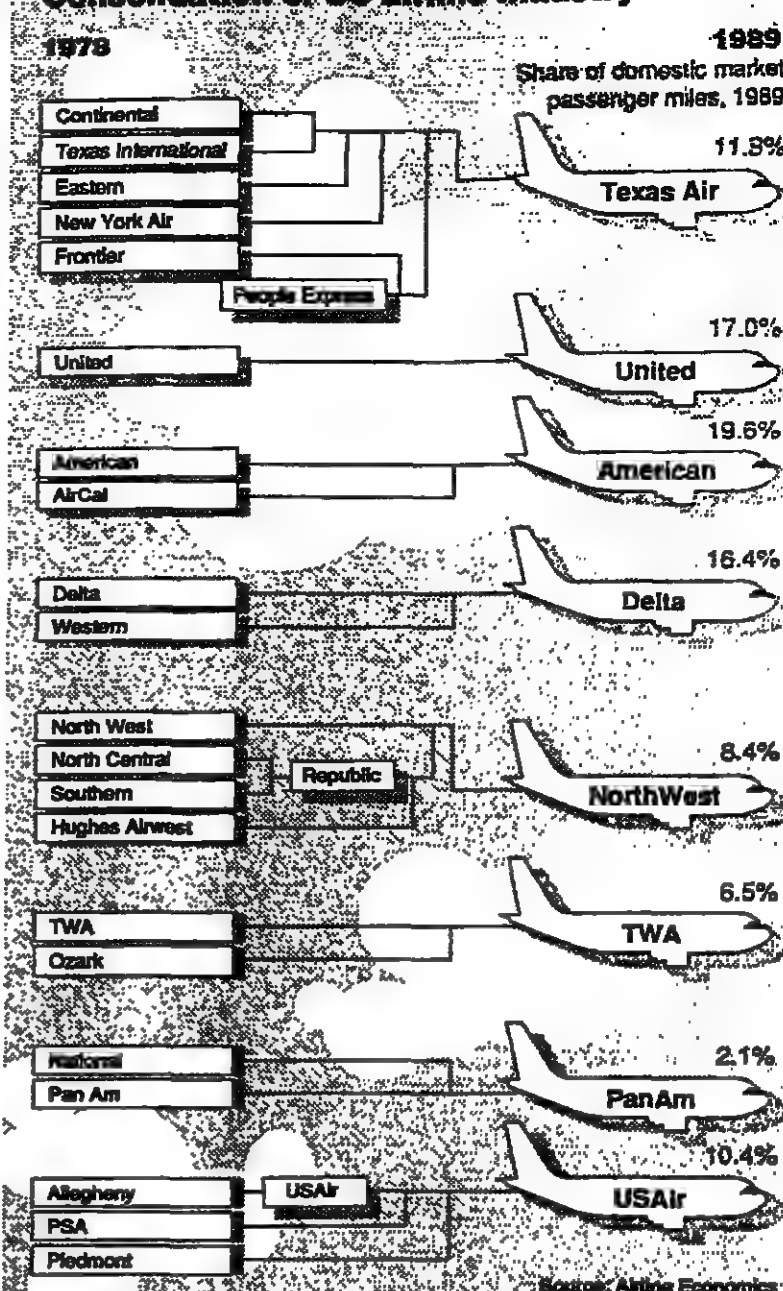
Others, however, stress different concerns which will also have a bearing on the outcome of this week's negotiations. These include the need to tackle congestion at airports and in the skies; the shortage of take-off and landing slots at busy airports; and the danger that a fragmented EC airline industry, comprising large numbers of small and medium-sized players, will be weak in the face of the global threat posed by aggressive giant carriers from the US and Asia.

The first serious attempt by the EC to tackle the national airline monopolies bore fruit in December 1987 when member states agreed to loosen strict government-to-government capacity sharing agreements, approved new conditions for cheap fares and, to some extent, eased access to the airline market for new competitors. But Mr Karl van Miert, the EC Transport Commissioner, acknowledged last year that the first package was only "a start".

"We are not expecting any substantial enhancement of the liberalisation process to come about at Luxembourg. If anything, we are worried that some of the proposals agreed last December will be watered down," an Irish government official said. Ireland, like the UK, has been one of the staunchest supporters of deregulation.

The liberal bilateral air service agreement between the UK and Ireland has helped foster competition on the Dublin-London route turning it into the best served European route

Consolidation of US airline industry



after London-Paris. In three years, competition has cut fares by 15 per cent - 40 per cent if inflation is taken into account.

In contrast, to fly economy full fare between London and Nice or London and Rome costs the same as flying to New York and back with tea at the Plaza thrown in. Many airline fares in Europe will continue to defy the law of gravity as long as some governments keep fares artificially high to support their national flag carriers.

The problem is that the EC scheduled air transport business is still essentially organised as a set of national markets. In each member state, the flag carrier is typically in a dominant position and accounts for about half of all departures at the

principal hub airports. On most city "pair" routes, whether within or outside the Community, the national carrier of one state faces competition only from the national carrier at the other end of the route.

The most encouraging aspect of the package on the table today is the commitment to full liberalisation by the end of 1992. Thus, from January 1, 1993, an airline's request to introduce a cheap fare will be blocked only if both governments involved in the route disapprove. At the moment, one refusal is sufficient. Capacity sharing arrangements will disappear completely. Restrictions on the number of airlines which can fly an individual route will disappear. And perhaps most significantly, member states will

from July 1992 agree to abide by common airline licensing rules. National licensing systems are now used tentatively to favour national airlines.

However, national pressures, not only from Mediterranean countries but also from countries like France and West Germany anxious to protect their position at the heart of Europe, are now threatening to water down the intermediate liberalisation package which has to be put into place between now and 1993.

One issue, which could seriously disrupt this week's council meeting, is a Spanish demand that more restrictive bilateral capacity-sharing arrangements should persist because of the large share of foreign charter companies operating in its market. This is strongly contested by the UK, Germany and the Netherlands.

The UK view is that the Spanish demand would set an unacceptable precedent. UK officials argue that Spain is simply attempting to win back the ground it lost as a result of a commercial decision a few years ago not to participate heavily in the unrestricted EC charter market.

Spain is also seeking a reciprocal formula to redress what it sees as the disadvantage it suffers as a result of congestion at airports in northern Europe.

France, for its part, appears determined to retain subsidies on routes into regional airports. It regards this as a public service obligation - one of the basic issues of aviation policy. For it is this type of national interest which gives the airline business a special status, making it necessary to maintain some degree of government control to ensure adequate services are provided. Opponents of this view claim that the industry is just like any other.

"The industry remains vastly over-regulated. It is still perceived everywhere as a utility," says Sir Robert Crandall, chairman of American Airlines, the carrier with the biggest aircraft fleet in the West and big ambitions to expand in Europe. "But it is at least in the US, a privately owned, very entrepreneurial, very competitive business. The system should let airlines fly where they want to and if airlines go broke, let them go broke."

Sir Colin Marshall, BA's deputy chairman and chief executive, has also often stated that one of the principal requirements of deregulation is for all European airlines to be privatised. Only then would Europe establish a level playing field for airline competition.

But even countries such as the UK or the Netherlands, deeply committed to deregulation, are now concerned at the prospect of opening up their own markets to other European states which have traditionally adopted a far more protective approach to their airline industries. "One of our worries is that we have a lot to give but we cannot be as liberal as we would like to be because of a lack of reciprocity from other countries," explained one UK official.

"The airlines, for their part, are worried by new regulatory developments which are expected to accompany the European single market. Only last week, Mr Gunter Eser, the director general of the International Air Transport Association (IATA), said that the industry was "becoming increasingly concerned at the prospect of a growing bureaucracy in Brussels, which, in the name of liberalisation, will end up over-regulating the European airline industry."

For all these reasons, the airlines are all scrambling to position themselves ahead of the 1993 deadline. "The EC has thought about the notion but not the practical problems of deregulation, like how do you allocate routes," says Mr Crandall. "I fear that EC administrative confusion coupled with the lack of runways and Europe's air traffic control problems will simply create a gridlock situation in Europe."

OBSERVER



"We're thinking of boycotting Romanian coal."

on offer what she describes as three "exhausting" years in the job. A solicitor by background, she will become editor of the Solicitor's Journal, a rather sedate publication founded 124 years ago to provide legal information and advice for the profession.

She will not quite turn it into a radical campaigning journal, but hopes that it can become more of a forum for debate for solicitors and lawyers and take more notice of developments in Europe.

One of her achievements at Amnesty was to make it seem more respectable to establishment institutions like the British Foreign Office. In foreign policy discussions now, she has been one of the more frequently and more seriously - taken into account. As indeed it is throughout the European Community. Staunton says that the record is patchy, but it is considerably better than before.

Sir Dennis

One new knight whose award was not mentioned in last week's Birthday Honours is Dennis Weatherstone, chairman and chief executive of Morgan Guaranty Trust and J P Morgan since the beginning of this year.

Weatherstone, now 59, has been honoured for services to British commercial and commercial interests in the US. He moved to the US in 1971 and has lived in the same house ever since, while moving steadily up in the Morgan hierarchy. He has also kept some of his old London friends.

In the 1950s he was the treasurer of a small group called the Institute for Social Studies, the forerunner of the present-day potentially interesting speaker: for example, Nigel Lawson, then a journalist, and Peter Walker, then a financier.

on their prolonged trade dispute. The US industry contingent left in no doubt as to which side the EC favours. They have the hats to prove it!

Good timing

A factor worth considering in the calculations about the date of the next British general election is that never before has Mrs Thatcher delayed to the last minute, the last month or even the last possible year. Assuming that the is still Prime Minister, it is very unlikely that she will delay this time. Not only would it be uncharacteristic: it would leave her open to the charge that she was "frit" or stuck in a bunker, waiting for something to turn up. And by 1993 she will have been there for 12 years. Not only would it, try summer or early autumn 1991 almost regardless of the state of the economy.

Wait for it

Some time after 1990, somewhere in Europe, the personnel manager of a small manufacturer interviews three job applicants, one French, one Irish and one Japanese.

After some discussion about their respective skills, the Frenchman goes to work in the canteen because of his cooking expertise, the Irishman, being an experienced bricklayer, is put to work repairing a factory wall and the Japanese knows all about supplies, so is sent to the stores.

Later in the day, the personnel manager tours the plant to see how the new workers are getting on. Lunch smells good, the wall is coming on well, but there is no sign of the Japanese in the stores.

A group of colleagues go in search of him without success. They are about to give up when they see a newly arrived crate. The lid springs open and the Japanese leaps out shouting: "Supplies!"

THE Perfect Savings Partnership

14 DAYS NOTICE DEPOSIT	1 YEAR FIXED DEPOSIT
14.25% PA GROSS	14.00% PA GROSS
for your short term savings	for your longer term investment
£5,000 minimum deposit	£1,000 minimum deposit
Interest credited quarterly	Interest credited quarterly
Rates are variable	Rates are variable

Rates correct at time of going to press. Now you can benefit from the advantages of the perfect savings partnership offered by Lombard. The Lombard 14 day notice deposit is ideal for your short term savings earning you a good rate of interest with easy access. And for your longer term needs, there is the one year fixed deposit where the rate of interest is guaranteed not to change during the period of deposit. Whether you choose one or both of these you can be assured that your Lombard deposit account will be confidential. As an added benefit for overseas residents, all interest is paid without deduction of tax at source. All this adds up to the perfect savings partnership - what more could you wish for your money? You can find out more without any obligation by writing to Stephen Carter and asking for a copy of our Savers & Investors brochure no. 532 or simply by completing the coupon below.

To: Stephen Carter, Lombard North Central PLC, Banking Services Department 532, 38a Curzon St, London W1A 1EU, England. Tel: 0737 776861.

Please send me, without obligation, a copy of your Savers & Investors brochure 532 current rates. (Please write in Capital letters.)

NAME (SURNAME FIRST)

ADDRESS

Registered in England No. 207004. Registered Office: Lombard House, 3 Princess Way, Redhill, Surrey, RH1 1NS, England.

A member of the National Westminster Bank Group plc. Capital and reserves exceed £1,000,000,000.

Lombard

The Complete Finance Service

Deposit Accounts

John Martin

L'esprit européen de Carlton Gardens

On the 50th anniversary of Charles de Gaulle's historic broadcast from London, the Franco-British Council has issued the following declaration, written by Maurice Druon, permanent secretary of the French Academy

Le 18 juin 1940 est une date cardinale dans la mémoire commune de la France et de la Grande-Bretagne, et l'on n'en rappellera jamais trop la longue signification.

Ce jour-là, la France, comme un boxeur atterré par un coup formidable frappé au défaut de sa garde, se demandait, en comptant les battements de son cœur, quand et si elle pourrait se relever. Un homme seul, un général lucide et volontaire, décida de conduire le redressement, et choisit l'Angleterre pour continuer le combat.

Ce jour-là, le Royaume Uni était seul, et nul ne savait comment, avec des forces minces, il pourrait soutenir le choc des gigantesques armadas du IIIème Reich. Un homme d'état, lucide et volontaire, entraîner la Grande-Bretagne à se battre jusqu'à la limite absolue de ses moyens; et il accueillit, sur son territoire menacé, l'homme de France.

Ce qui fut scellé là, entre Churchill et de Gaulle, était

beaucoup plus qu'un traité: c'était un exemple pour les siècles.

Jamais les volontaires français qui, mois après mois, rejoignirent de Gaulle, n'ont oublié la fraternité avec laquelle ils furent reçus par le peuple britannique, ni la solidité que leur témoignage la famille royale; jamais ils n'oublieront l'image que donnait ce peuple accablé par les bombes et qui luttait, avec un tranquille héroïsme collectif, pour le salut du monde.

De même, les Britanniques qui ont l'âge de la mémoire n'ont jamais oublié ces "Free French" qui, ayant abandonné tout ce qui leur était cher, vinrent, par les chemins du ris-

que, partager leurs épreuves et toutes les formes du combat.

L'Histoire ne peut oublier le début du rôle de la communication de la voix dans la stratégie. Pendant quatre ans, l'espoir de la France fut accroché à la BBC.

L'Histoire ne peut oublier non plus que c'est de Londres que fut suscitée, rassemblée, organisée la Résistance française, dans toutes les composantes qu'elle eut, tous les aspects qu'elle prit, toute l'efficacité dont elle fit preuve.

L'Histoire ne peut oublier enfin que, et Winston Churchill et Charles de Gaulle, en 1943, promirent aux nations en guerre la naissance d'une

union européenne.

La victoire fut au bout de ce chemin de douleur et de grandeur, et l'Europe lentement s'édifia.

Aujourd'hui, quand les peuples de l'Europe de l'Est, rejetant une dépendance qui fut la conséquence de cette guerre monstrueuse, se soulevant pour recouvrer la libre disposition d'eux-mêmes, c'est par le geste de Churchill, son V devenu universel, qu'ils expriment leur volonté, et c'est la devise de la France "Liberté, égalité, fraternité" qui leur sert de mot d'ordre.

Si longue soit la paix dont nos nations ont bénéficié, il nous faut être conscients que l'avenir du monde n'est pas

plus assuré aujourd'hui que naguère, et conscients aussi de ce que représentent la Grande-Bretagne et la France lorsque leurs démarches sont accordées.

Avec les populations qu'elles totalisent, la vitalité de leur économie et de leurs technologies, les forces militaires qu'elles se sont créées, la place qu'elles occupent - pour l'une au sein du Commonwealth: 49 Etats, pour l'autre au sein de la Conférence des pays francophones: 49 Etats - avec l'universalité de leurs langues, leur héritage culturel et leur commune conception de la liberté, elles peuvent, lorsqu'elles ajustent leurs politiques et leurs efforts, et cela sans avoir rien à renier de leurs alliances, de leurs traditions ni de leurs intérêts propres, peser d'un poids décisif, non seulement dans l'organisation de l'Europe, mais dans toutes les affaires de la planète.

Et si elles agissent ainsi, rien alors ne pourra se faire ni sans elles, ni contre elles.

Charles Leadbeater and William Dawkins on steel makers' moves to buy up distribution outlets

Fusions that aim to safeguard the future

The period of convalescence Europe's steel producers have enjoyed for the past three years - replete with buoyant markets and rising profits - is about to come to an end. The leading producers are positioning themselves for what could be a bruising battle over the next few years.

Usinor Sacilor, the French state-owned group which is Europe's largest producer, last week signalled its intention to remain at the forefront of restructuring with an audacious move into British Steel's back yard.

The group plans to spend £115m to buy a 20 per cent stake in ASD, Britain's second largest steel stockholder - or wholesaler - with an 8 per cent market share. The deal, which has to be vetted by the European Commission, is no more than a morsel for Usinor Sacilor's voracious standards.

But it is part of a growing trend towards vertical integration, with steel makers buying control of downstream distributors and processors.

The traditional nationally-based structure of the industry is showing signs of fraying at the edges. A series of deals across Europe is creating an elaborate network of cross-crossing relationships.

Over the past two years British Steel has built up a limited chain of stockholders on the Continent, including a processing plant just outside Paris to service French car makers.

PUM, France's largest distributor, which is owned by Cockerill-Sambre, Belgium's largest producer, has set up two new finishing plants and sealed some small takeovers.

Arbed, the Luxembourg steel-maker, and Cockerill-Sambre of Belgium have both expanded their presence in France through stockholding subsidiaries. Arbed has 14 per cent of the West German stockholder market, while Hoesch and Thyssen of West Germany have both bought British distributors, as well as adding to their domestic network.

Usinor Sacilor is also active in Italy, the market with most independent stockholders, where Iva, the indigenous producer, has been shoring up its position. Hoogovens, the Dutch producer, has made acquisi-

tions in Belgium, France and West Germany since 1986.

The steel makers' rush into downstream activities is far from over. A senior Usinor Sacilor executive says: "We have not yet reached the limit. We are still looking, especially in West Germany."

Steel makers are buying up distribution outlets partly to secure market share and reduce their reliance on their traditional domestic markets. But it is not that simple. The reshuffling reflects a diverse set of pressures upon the European Community's 379 companies, with a combined capacity to produce 150m tonnes, about a fifth of world capacity.

The six countries of eastern Europe, excluding the Soviet Union, which make about 60m tonnes of steel a year are searching for hard currency.

Even though Usinor Sacilor estimates it would cost \$20bn - \$25bn to bring the industry up to western standards, it is still worried. Mr Francis Mer, the company's chairman says: "These underdeveloped countries pose a real threat to our industry. There is a definite risk that these countries, in their attempt to earn foreign currency, will flood western markets, unloading vast quantities of steel."

Eastern Europe is not the only threat. Imports are set to rise, particularly from Latin America and South Korea, which has seen Chinese demand for steel dry up.

Between 1978 and 1988 the US and EC cut production capacity by 72m tonnes while the developing countries expanded capacity by 76m tonnes, with lower production costs. Closer to home, Turkey increased its capacity from 4.4m tonnes in 1980 to about 9.7m tonnes today. According to the European Commission, world capacity is likely to outstrip demand by about 100m tonnes over the next 10 years.

The EC's production quota regime which ended two years ago left Europe with a smaller industry but populated by producers with different costs. A more open steel market will put the higher-cost producers under pressure, while the single European market should narrow differences in some input costs such as energy.

So competitive pressure will mount. European producers are having to invest heavily to cut costs and produce more sophisticated products.

Thyssen is planning to invest DM1bn this year, Usinor Sacilor \$1bn, and British Steel plans to invest £500m a year over the next few years, after investment rose 45 per cent last year to £450m.

Such heavy investment rules out a price war. The successful producers will have to move away from commodity, semi-finished steels, which trade on their price, towards more sophisticated products made on galvanising lines and towards special coatings. These products command a higher price, in more buoyant parts of the market.

This is where the downstream activities of processing and distribution by Usinor Sacilor, increasingly steel stockholders capture added value by tailoring products to their customers' needs. The shift by manufacturers towards just-in-time production systems also demands that suppliers work closely with them to deliver to tight schedules and help to develop new products.

Thus distributors, stockholders and processors have begun to occupy an important position in the supply chain rather than merely being an outlet for commodity steel.

Significant though it may be, this is probably only the start of a deeper restructuring which will directly involve the steel makers. The first moves are about to be taken by British Steel's £105m bid for the Trisdorf structural steel's subsidiary of Klockner Werke of West Germany and Usinor-Sacilor's pursuit of Falck based near Milan.

Senior executives at Usinor Sacilor believe that in the long run there will be room for only six or seven of Europe's 15 big steel companies. It is a theme echoed in the European Commission's recently drafted general objectives for the steel industry, which conclude: "Certain fusions, particularly transnational, will no doubt prove necessary."

These fusions will reveal which producers used their convalescence to rest and which to rebuild their strength.



June 18 1940 is a red-letter day in the shared past of France and Great Britain, and its historic significance can not be proclaimed too often.

On that day, like a boxer felled by a devastating blow struck beneath his guard, France counted her heartbeats and wondered when, indeed if ever, she would be able to get to her feet again. One man alone, a General, clear-thinking and unyielding, decided to lead her recovery, and chose to continue the struggle from Britain.

On that day, the United Kingdom itself stood alone, and no one could tell how, with slender forces, it could withstand the shock of the gigantic armadas of the Third Reich. A statesman, clear-thinking and unyielding, carried Britain with him to fight

on to the very end of its resources and it welcomed, on its own threatened territory, the Man of France.

The understanding that was forged then between Churchill and de Gaulle was far more than just a treaty; it was a model to be handed down for centuries to come.

Never have the French volunteers who, month by month, joined de Gaulle, forgotten the sense of brotherhood with which they were received by the British people, nor the solicitude shown to them by the Royal Family. Never will they forget the example set by that people, crushed under the weight of bombing yet fighting back with a tranquil, collective heroism for the salvation of the world.

Equally, Britons old enough to remember have never forgotten those "Free French"

who, having abandoned everything that was dear to them, came by hazardous routes to share their trials in every form of combat.

History will not forget that L'Appel of June 18 marked the beginning of the role of the human voice as a strategic weapon. For four years the hopes of France were tuned into the BBC.

Nor can history forget that it was in London that the French Resistance was given birth, assembled and organized, in all its component parts, in all the aspects it assumed, and in every success that it achieved.

Finally, history will not forget either that it was both Winston Churchill and Charles de Gaulle who, in 1943, promised the warring nations the birth of a European Union.

Victory came at the end of

this road of suffering and grandeur, and Europe slowly rebuilt itself.

Today, when the peoples of eastern Europe, casting off the bonds that resulted from that monstrous war, lift themselves up again to regain their freedom, it is with Churchill's world-famous "V-sign" that they express their determination and it is France's motto of "Liberté, égalité, fraternité" that is their password.

However long the peace from which our nations have benefited, we must remain aware that the future of the world is no more assured than it was in those dark days of 1940 and we must be equally aware of what Great Britain and France can do when they march in step together.

The one stands at the heart of a Commonwealth of 49 nations, the other at the heart

of the Conference of 44 French-speaking nations. With the total of their combined populations, the vitality of their combined economies and technologies, and their military forces, and with the versatility of their languages, their cultural heritage, and their common concepts of liberty, they can, when they harmonise their policies and their efforts (yet without forswearing their alliances, their traditions, or their own interests) lend a decisive weight, not only to the organisation of Europe, but to all the affairs of this planet. If they so conduct themselves, it will become impossible for anything to be done either without them or against them.

Translated by Alistair Horne

LETTERS

British Telecom and the sword of liberalisation

From Mr Tony Young.

Sir, Hugo Dixon ("Scrutiny all along the line," June 13) concludes that liberalisation of UK telecommunications should be pushed "firmly through to the second stage."

It is true that a competitive environment has spurred the mobile communications industry in the UK to grow at a faster rate than anywhere in Europe except Scandinavia, but that does not make an open and shut case.

One considers the quality of the basic telecommunications network upon which the vast majority of both residential and business users depend, then Britain is seen to be lagging behind the French example on a number of scores. France Telecom enjoys a non-liberalised regime for the basic fixed link network and has been able to concentrate on improving that network so that it is significantly more advanced, for example, in digitalisation and videotelephony. Liberalisation is a double-edged sword and, where a key British service industry is concerned, should be used with greater care than hitherto suggested.

It is also important that protagonists of this debate appreciate how the world has moved on since the original liberalisation policies were designed in the early 1980s. Serious telecommunications companies must now have an international presence if they are not to be pushed to the margins of the world market. With an eye to the UK balance of payments deficit, the regulatory regime must be adjusted for the demands of an internationally competitive industry as well as for more parochial concerns.

In this context, it is also

abundantly clear that breaking up British Telecom into a series of subsidiaries - into telecommunications minnows - would be the most extreme folly. Nothing would delight Britain's overseas competitors more or do more damage to British or future information technology. It is a regulatory environment that supports British competitiveness internationally that should be fostered by our regulatory agencies, not one that undermines it in the interests, for example, of the American telephone companies now seeking to enter the British market.

Mr Dixon also reports ("Ofel joins probe," June 12) that four (independent?) reports have been commissioned by the Office of Telecommunications (Ofel) into various aspects of the telecommunications industry, confirming that the debate surrounding the review of the duopoly is finally gathering pace. Yet the format of the review remains a mixture of confusion and surprise.

Consider only the most recent development. What status will these reports have? Will the consultants invite submissions? When will their reports be completed? Will they be made public? Will there be an opportunity to comment on their conclusions before irrevocable decisions of great importance are made?

It is surely incumbent upon Ofel, or the Trade and Industry Department, to clarify these and other questions as a matter of urgency.

Tony Young,
General Secretary,
National Communications
Union,
Gregynoke House,
150 Bruntswick Road, W5

Training: the need for a revolution from below

From Mr Peter Ashby.

Sir, Mark Corney, (Letters, June 13) rather misses the point when he criticises Michael Prowse ("Training is for people," June 11) for claiming that it is "not in the interest of many employers to offer training."

This point draws directly on consultations that Full Employment UK has carried out with unskilled workers. These have convinced us that the more training there is on offer, the more it will be used by employees with no scope of promotion with their current employer, as a means of seeking better employment elsewhere.

Of course, employers collectively would still benefit through all the advantages of having a more highly skilled and mobile workforce. But this does not alter the fact that individual employers might lose some of their best employees as a result of training, come to the realisation that they have outgrown their current job.

That is why there is something rather unsatisfactory about Mr Corney's proposal that the way to solve our training problems is through a "massive education programme for employers."

It is self-evident that many employers need to develop more positive attitudes towards training. But the essence of the problem is that those employers who lack commitment to training reflect an indifference that is shared widely throughout society. This will only change when we can alter the way training is perceived within our culture.

It is this concern with cultural change that has con-

vinced us in Full Employment UK that the primary message in the training debate should be geared to individuals, with the whole training system becoming rooted in the philosophy of self-investment.

We are not suggesting that employers should be "let off the hook." In consultation with a number of the new Training and Enterprise Councils, we have developed proposals for exemptible levies on all employers. So employers would, under our plans, invest much more in training. But that is, in many ways, the easy bit of the equation.

The difficult part is the battle to change popular attitudes, to increase mass expectations towards training, so that more employees go to their employers and ask for training.

Hence our proposal that a new statutory adult entitlement to training should form the centrepiece of the training strategy.

Our main target is not, actually, employers. It is the millions of working men and women who say that they are "not good enough for training," that it is "not for the likes of" them. They are the people we have to reach, to "re-educate."

This is surely the most effective way of educating employers through persuading their employees to raise their sights.

It is a strategy for "revolution from below," far more effective and lasting than any which could be imposed from above.

Peter Ashby,
Principal Consultant,
Full Employment UK,
4 Europa House,
St Matthew Street, SW1

Brussels presence by Law Society could help mortgage services

From Mr Eric H. Dodson.

Sir, Whether the Law Society is able to implement the proposal of its council that the society should establish a presence in Brussels will, in practice, ultimately depend on the decision of its members. Taking account of the objections set out by Robert Rice ("Case for a presence," June 11) the debate may well be lively.

However, assuming that such an office is opened, the Law Society would do a useful

service for the smaller firms and their (mainly) personal clients if it were to take steps to encourage the European Commission to take steps to facilitate the provision of cross-frontier mortgage services.

The Second Banking Directive, with its emphasis on home control and mutual recognition of status, is welcome in its concept but it is doubtful how far this alone will break down the restrictions and prac-

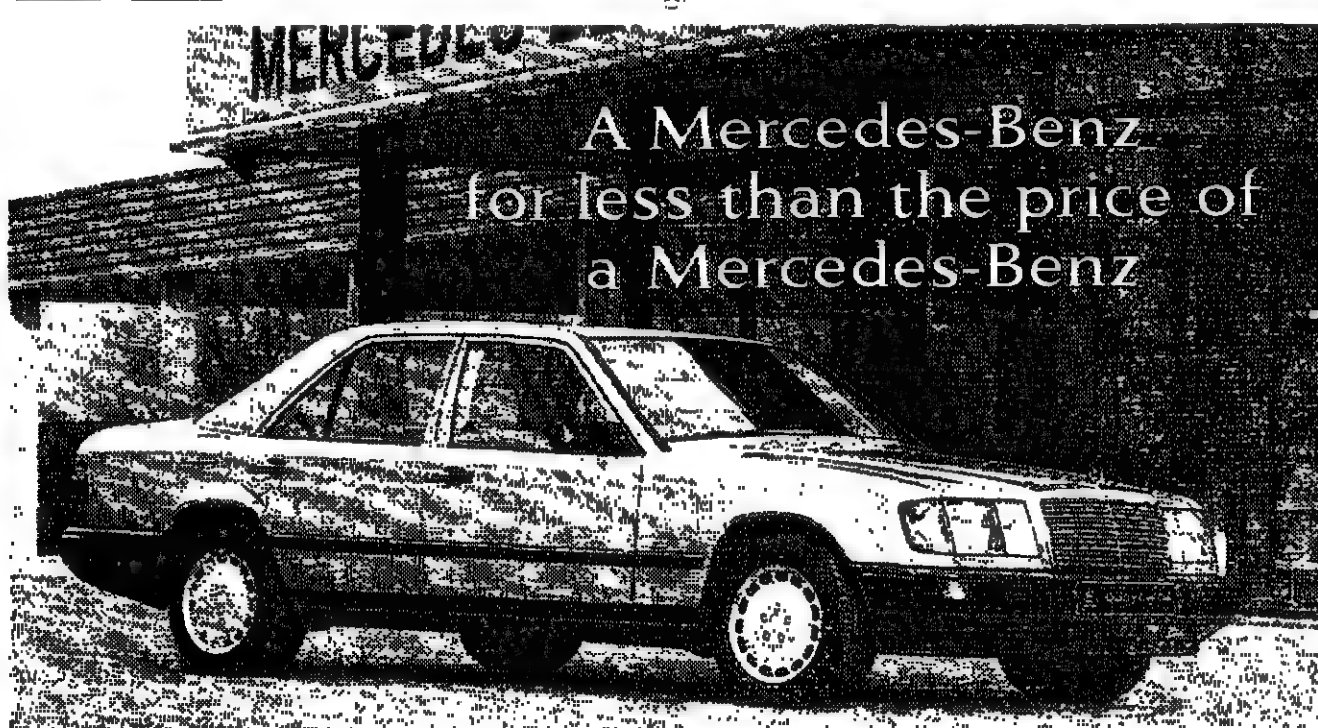
tices of member states' domestic laws affecting mortgage loans on residential properties.

Significant numbers of UK residents move to other member states. Most of them seek new homes whether in connection with their employment or for holiday purposes. I noticed recently an estimate of over 30,000 such persons every year. At the same time other European Community residents move to the UK.

Of course, property laws are

likely to remain within the exclusive jurisdiction of each member state. Nevertheless there needs to be acceptance of the differing techniques of lending (for example, variable interest loans as in the UK) so that, for example, a building society could offer its emigrant members the same facilities which they enjoyed at home.

Eric H. Dodson,
The Knot,
Ladysmith Crescent,
Bramhall, Cheshire



A Mercedes-Benz for less than the price of a Mercedes-Benz

This isn't sleight of hand, or a trick as sound on the road as they look in done with mirrors. Simply a commonsense the showroom. And they're road-tested suggestion: if your budget stretches to and backed by at least 12-months' only a routine new car, you have the QUALITY USED CARS mechanical insurance.

perfect opportunity to choose a thoroughly You'll be buying shrewdly, too. Well maintained Mercedes-Benz cars are famous tested used Mercedes-Benz from your for their retained value, whether they're local authorised dealer.

The smallest fault will have been new, second-hand, or even third- or searched out and corrected by Mercedes- fourth-hand.

will probe longer or harder but it still comes with than Mercedes-Benz them- ENGINEERED LIKE NO OTHER CAR IN THE WORLD one hidden extra that

selves to ensure that cars bearing the money alone can never buy - unrivalled Approved Quality Used Car symbol are Mercedes-Benz engineering integrity

Plant Values
Machinery
Buildings
Furniture
Other
Total

John Foord

FINANCIAL TIMES

Monday June 18 1990

Willetts
IS BUILDING
081-689 266

Choosing lanes in a two-speed Europe

Philip Stephens outlines fresh efforts to blunt Mrs Thatcher's antipathy for the EC

As Mrs Margaret Thatcher, the British Prime Minister, prepares for the summit of European Community heads of government in Dublin next week, the tense debate that led to last year's political upheavals over her approach to the EC is being rehearsed again within her Cabinet.

Mr John Major, her Chancellor of the Exchequer, and Mr Douglas Hurd, the British Foreign Secretary, have been preparing a new set of proposals designed to ensure that Mrs Thatcher's ingrained antipathy towards European integration does not leave Britain isolated in Dublin.

A year ago, Mr Nigel Lawson, then Chancellor, and Sir Geoffrey Howe, then Foreign Secretary, issued a warning and an ultimatum to Mrs Thatcher. The Prime Minister was told that Britain faced a grave risk of being left behind in a two-speed Europe. If it wished to be taken seriously in the debate over European economic and monetary union (EMU), it would have to give a firm commitment to take up full membership of the European Monetary System.

From that meeting, which was preceded by a lengthy official minute signed by both ministers, came the conditions Britain set out at last year's Madrid summit for participating in the EMS exchange rate mechanism. From it, too, stemmed Sir Geoffrey's enforced departure from the Foreign Office in July and Mr Lawson's angry resignation.



Mr John Major

from the Cabinet in October.

Over the past few weeks the senior officials they left behind must have been experiencing a distinct sense of déjà vu.

Mr Hurd and Mr Major have had private breakfasts at the Foreign Secretary's London residence and lengthy meetings at 10 Downing Street, the Prime Minister's residence.

The aim has been to nudge Mrs Thatcher sufficiently far in the direction of a commitment to EMU to prevent Britain from being consigned, from the start, to the slow lane in Europe.

In the background, Mr Nicholas Ridley, this year as last - has been trying to pull her in the opposite direction. The Trade and Industry Secretary opposes membership of the EMS as well as any move beyond that towards monetary union. The circumstances, of course, are different from those of last year.

Mr Hurd and Mr Major are both in stronger positions and yet temperamentally are much less inclined to seek a showdown with Mrs Thatcher. The conventional wisdom within the Government is that she could not sack either without seriously jeopardising her own position, but equally, neither will force her hand.

Nor are they entirely at one on how just how far they should seek to nudge her in the direction of her European partners.

Mrs Thatcher, too, has changed, albeit reluctantly. The original suggestion last year was that she should give a firm pledge at the EC summit to take sterling into the ERM within six months. That was watered down to the commitment enshrined in the now famous Madrid conditions embracing closer convergence of British and European inflation rates and completion of the single market.

Now the Prime Minister has accepted the inevitability of ERM membership within a much tighter timescale, although her colleagues are constantly fearful that she might change her mind. Despite the denials, officials have been searching for a suitable date during the autumn.

She is said also to have been impressed by Mr Hurd's success in bringing the discussion within the Community on political union down to earth.

A positive tone and a few,



Mr Douglas Hurd

distinctly modest, proposals of his own have allowed the UK Government to throw at least a temporary bridge between the ambitious rhetoric of its partners and its own innate scepticism.

The substance of Mr Hurd's careful negotiations with Mrs Thatcher, however, are focused on what they both regard as the most serious challenge to Britain's place in Europe.

Their starting point is a deep concern that their partners will use the Dublin summit and the subsequent intergovernmental conference on EMU in December to accelerate further their timetable for the creation of a single European currency and central bank.

The nightmare within the British Government, according to one senior insider, is that President François Mitterrand of France might pass around a piece of paper committing each

leader irrevocably to the eventual replacement of national currencies with a single EC currency. The other 11 heads of state might sign up, with Mrs Thatcher refusing to do so.

It is that fear that has led Mr Major to develop new proposals to signal that, if Mrs Thatcher is not ready to commit herself to the final goal, then she would allow constructive steps in that direction.

So far he has suggested that Government, hitherto committed to only the first phase of the three-stage process outlined in the Delors report, is prepared to move on to the second stage.

Britain will suggest the creation of new institutions to manage monetary policy in the ERM countries and, perhaps, to oversee the development of the European Currency Unit into a widely used parallel currency. But the Foreign Office is getting the message from Paris and Bonn that full union must be seen from the outset as a certainty rather than a possibility.

One way out being suggested by officials is that the Government could sign up for that final goal but reserve the option of withdrawing later.

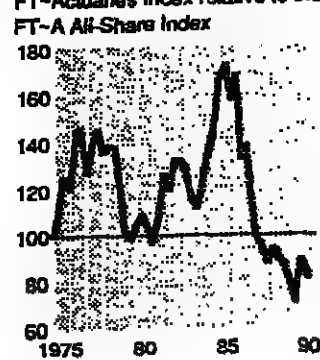
The Prime Minister has so far described such a strategy as "dishonest," citing a clear, bipartisan majority in the House of Commons against full monetary union.

Mr Hurd and Mr Major will have to work overtime if they are to square the circle before she flies to Dublin next Sunday.

Researching the wrong problem

Insurance Brokers

FT-Accuaries Index relative to the FT-100 All-Share Index



Sedgwick is trading on close to 17 times likely 1990 earnings. Even with the slump in Willis's share price, after news of its plans to merge with Corroon & Black, Willis is on nearly 14. Ratings like these assume more than an immediate return in the US property/casualty insurance cycle. For the long haul, they imply that brokers are superior creatures, with the cash-generative potential of a Glaxo or a Guinness. Given Sedgwick's record of no dividend increase since 1986, this is not realistic. And whatever one thinks of a Willis/Corroon merger, the short-term implications, the deal's underlying message is that the golden age of old-fashioned broking is over; hence their need to merge, after six months of what must have been difficult talks between Willis and its erstwhile US partner, Johnson & Higgins. In the good old days a decade ago, the combination of a weak pound, high interest rates, cowboy tactics and high-margin Lloyd's marine and reinsurance broking used to keep the UK-based brokers' earnings moving ahead even in down-cycles. Most of these factors no longer apply but the market still rates brokers as though they do.

The best way to look at this is to stop pricing Lloyd's brokers by reference to each other, and instead to take as a benchmark the world's biggest, Marsh & McLennan of the US. By that measure, the London brokers are over-priced. Marsh is currently trading on Wall Street at about 18 times expected 1990 earnings, or just a bit more than Sedgwick. But look at Marsh's record: insurance broking revenues up 11 per cent compound per annum since 1984, in spite of the US insurance downturn, and its excellent employee benefits consulting side up by 28 per cent annually. At Sedgwick, the growth rate has been only a fraction of that; at Willis,

broking has done just as well but benefits consulting is still a small part of its empire.

Perhaps the biggest single issue is the brokers' future needs for capital. Europe, in the run-up to 1992, is the obvious challenge. Among US brokers Marsh led the way with a takeover last year of Germany's Gradmann & Heller; Willis Corroon makes no secret of its eagerness to follow suit. But there are snags. First, the asking price of continental brokers is around 25 to 30 times earnings, suggesting a payback period of 10 years or so. Then there is capital expenditure, on information technology and so on, where the bills must surely rise steeply over the next decade. A measure of what it costs to stay competitive these days is that in just the first three months of 1990 Marsh & McLennan's spending on fixed assets and acquisitions was \$56m, about the same as Willis's Faber's pre-tax profits for the whole of 1989. The broking world has turned capital intensive, and it will never be the same again.

US equities

It is not surprising that with the Dow Jones Industrial average closing at a record high last week US companies once again beginning to issue a note of warning. The number of initial public offerings has risen by a third this year and is now running at nearly one a day. Similarly, companies are beginning to hold their share repurchase programmes, and replacing them with common stock offerings. With corporate indebtedness at record levels and an economy teetering on the brink of a recession, it all seems perfectly sensible.

Last week's \$55m proposed offering by American Express, one of the Dow Jones industrial's former glamour stocks, is a classic example. Over the last five years, it has boosted its earnings per share growth by buying back 50m shares for \$1.7bn. However, several of its diversifications, most notably Shearson, have gone badly wrong. Its earnings are falling and its debt has more than doubled since 1985, to \$2.4bn, while shareholder equity has risen by a mere \$500m to \$5.1bn. To repair its balance sheet it is issuing 27m shares at a price equivalent to 12 times prospective earnings, which are still nearly 25 per cent lower than three years ago, rose on the news. It is the kind of reaction which could tempt other over-stretched US financial institutions, such as the big banks, to test the water.

Group of Seven to discuss aid for Moscow

By Peter Riddell, US Editor, in Washington

ASSISTANCE for the Soviet Union's economic reform programme has emerged as an important item on the agenda for the annual summit of leaders of the Group of Seven to be held in Houston, Texas, next month.

There is no agreement yet about how much can be done in view of the internal political and economic uncertainties in the Soviet Union.

The "therpex," or personal representatives of the leaders (of the US, Japan, West Germany, Britain, France, Italy and Canada), met over the weekend to discuss aid and a draft communiqué,

about which there is an unusual degree of uncertainty. The US supports proposals that the Soviet Government should help in maintaining Soviet troops in East Germany for a transitional period and might subsidise housing for them when they return home.

Such West German assistance for the Soviet Union, which might be extended to include trade and lending arrangements as well as food aid, forms part of the nine-point package put forward by the US as reassurance that a unified Germany within Nato will not threaten Moscow's security interests.

Senior US officials are happy to see Bonn take the lead in such assistance for Moscow if it eases the path to unification. The House of Representatives is likely to include a general reference to such German-led assistance, but is unlikely to endorse more detailed proposals at this stage.

Instead, the remit of the Group of 74 western aid donors - which is currently handling aid for Poland and Hungary, may be broadened to examine the scope for helping the Soviet Union.

The Bush Administration is reluctant to go beyond general support for President Gorbachev's reforms. The US Congress will oppose direct financial assistance at least until a Soviet law liberalising emigration has been passed. The Ukrainian crisis has eased, and there is evidence of a move towards a market system.

The US only backed the new European Bank for Reconstruction and Development on condition that the Soviet Union, although a member, would not be a net borrower.

Apart from western help for the Soviet Union, the main issues at Houston are expected to be the Uruguay Round of trade talks, the environment and international debt.

EC weighs action on Romania

By Judy Dempsey in Bucharest and David Buchanan in Brussels

THE ROMANIAN parliament is expected to swear in Mr Ion Iliescu as President today while in Luxembourg European Community foreign ministers will review whether they might take to show displeasure over the Romanian Government's crackdown on protesters last week.

Despite his public thanks to the people of Bucharest last week, Mr Iliescu, the interim President since January, is expected to face little condemnation from Parliament which is dominated by the ruling National Salvation Front. The Front, which was catapulted to power following the overthrow of the Ceausescu regime, won a landslide victory in May's elections.

But in Bucharest the victory is now seen as a mandate for the Front to sanction the suppression of the small National Liberal and Peasant opposition parties and any independent groups which are critical of the Government.

The mobs, which were pulled out of the capital on Friday as rapidly as they were driven in during the early hours of Thursday, have left behind an atmosphere of intimidation and lies.

The media pours out propaganda similar to the Ceausescu era and the inter-war period. No government official will condemn the violence which left at least five people dead and more than 100 injured.

Helmut Wach, the independent human rights organisation, said it has no idea what happened to those bystanders who were forcibly dumped into the boots of cars by the miners. The organisation is receiving phone calls from families who have had no news about relatives for several days.

The most obvious option before the EC ministers meeting today is simply to refuse to ratify a trade and economic agreement initiated by Bucharest and the European Commission, on June 8.

One of the 17 European Commissioners, Mr Bruce Millan, last week gave the European Parliament "an absolute assurance" that ratification would not proceed in the present circumstances. But Commission officials later qualified this by saying that the EC executive body would not ratification as one of several options.

The June 8 second world, in fact, confer no immediate benefits on Bucharest because it merely adds a framework for economic co-operation talks to a trade agreement Romania has had with the EC since 1990.

Next month, ministers from the Group of 24 western aid donors are to meet in Brussels to decide on their earlier proposal to extend assistance to Romania and three other east European countries. Keeping Romania out of the G-24 programme would be of more financial consequence than putting the latest EC agreement on ice.

Pioneer spirit thrives in wild east

Charles Leadbeater on the realities of selling in the Soviet Union

THE two reps from Case Communications emerged into the foyer of their hotel on Sakhalin Island in far eastern Siberia to be greeted by their smiling guide.

"There is only one problem," they said. "There is no hot water."

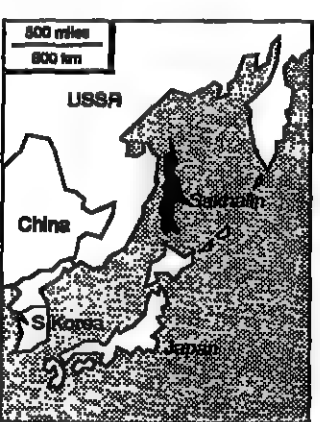
His eyes widened with incredulity. He replied: "You've got water?"

Such are the trials of business pioneers opening up the virgin markets of the Soviet Union to capitalism. As western salesmen stumble, weary from overnight train journeys in ever more remote parts of the Soviet Union, so the contrasting lifestyles and expectations of east and west get thrown into sharper relief.

Mr John Martin, head of east European operations for Imperial Chemical Industries, says: "Selling here used to be just a matter of an annual negotiation with a foreign trade organisation in Moscow. Now we have to get out to sell directly to enterprises. It is a completely different ball game."

Twice a year juggernauts loaded with food, drink and other consumer goods roll into the small town of Nishensk, near Kazan, to sustain a group of 40 British engineers working on a project for Davy McKee, the engineering construction group.

The engineers and their families live in a block of flats which often does not have



heating or hot water, despite near-Siberian winters.

Mr Edward McTigue, the company's deputy chief executive, says: "They are amazingly cheerful. Some have their wives and young families with them. Others who are single have Russian girlfriends. Some of the married ones without their wives probably have Russian girlfriends as well."

Executives who spend their days toiling against an increasingly chaotic bureaucracy need the sort of support Davy McKee can muster.

Smaller outfits such as the Pig Improvement Company, part of the Dalgety group, rely on the resilience of their staff. For the past three months, Mr Ian Byatt has been at one of capitalism's furthest outposts, a 3,000-sow pig farm in the village of Peschanoye,

100km south-east of Kiev, in the Ukraine.

Every few weeks a lorry-load of sows arrive from the UK - genetic packages in the form of a pig, as the company calls them - and with the drivers come newspapers and books.

But communicating with the British base is almost impossible. Peschanoye has no international telephone lines, so if there is a problem with one of the genetic packages, Mr Byatt has to set off on a four-hour round trip for a long wait in Kiev to send a telex.

Accommodation is not a problem for Mr Byatt - the collective farm provides him with a three-bedroom house - but it is becoming a headache for others.

It is becoming increasingly difficult for companies to find office space in Moscow, let alone suitable flats for their British executives, according to Mr David Thompson, chairman of Rank Xerox. As salesmen go to locations such as Minsk, Magneto Gorsk and Kharkov, the deprivations will become more intense.

"It is quite difficult to recruit people to come here. You have to pay them more to compensate," Mr Thompson says.

Companies also have to recruit the right sort of people. Young high-fliers fresh from the glamour of New York, the style of Paris or the excitement of Rome may not be ideally suited to working in Sverdlovsk or Novosibirsk.

It is still possible for reps to turn up in a town such as Novol, in Uzbekistan, to be greeted as the first Europeans to visit in living memory. But things are changing.

Mr Geoff Blackburn, chief executive of Courtaulds' central trading operation, says: "People are more relaxed now. They will go out with you for a meal in the evening after a business meeting."

In short, the executive heading for the vast virgin territories of the Soviet Union needs a peculiar mix of qualities.

Increasingly the persistence to deal with bureaucrats will have to be matched by entrepreneurial flair, as the growing economic anarchy makes it more and more like the Wild West.

A close technical knowledge of products will have to be matched by the financial imagination to find a way to get profits out of the country.

Companies in sectors as diverse as chemicals and electronics admit that they take out their profits in the form of animal skins, which they sell on to the Italian shoe industry.

And they will need to cope with the food, which is still Stalinist stodge. The most important business tools Mr Nick Applegarth of Case Communications takes with him are a travelling kettle and a large supply of powdered soups.

Acid test for Collor

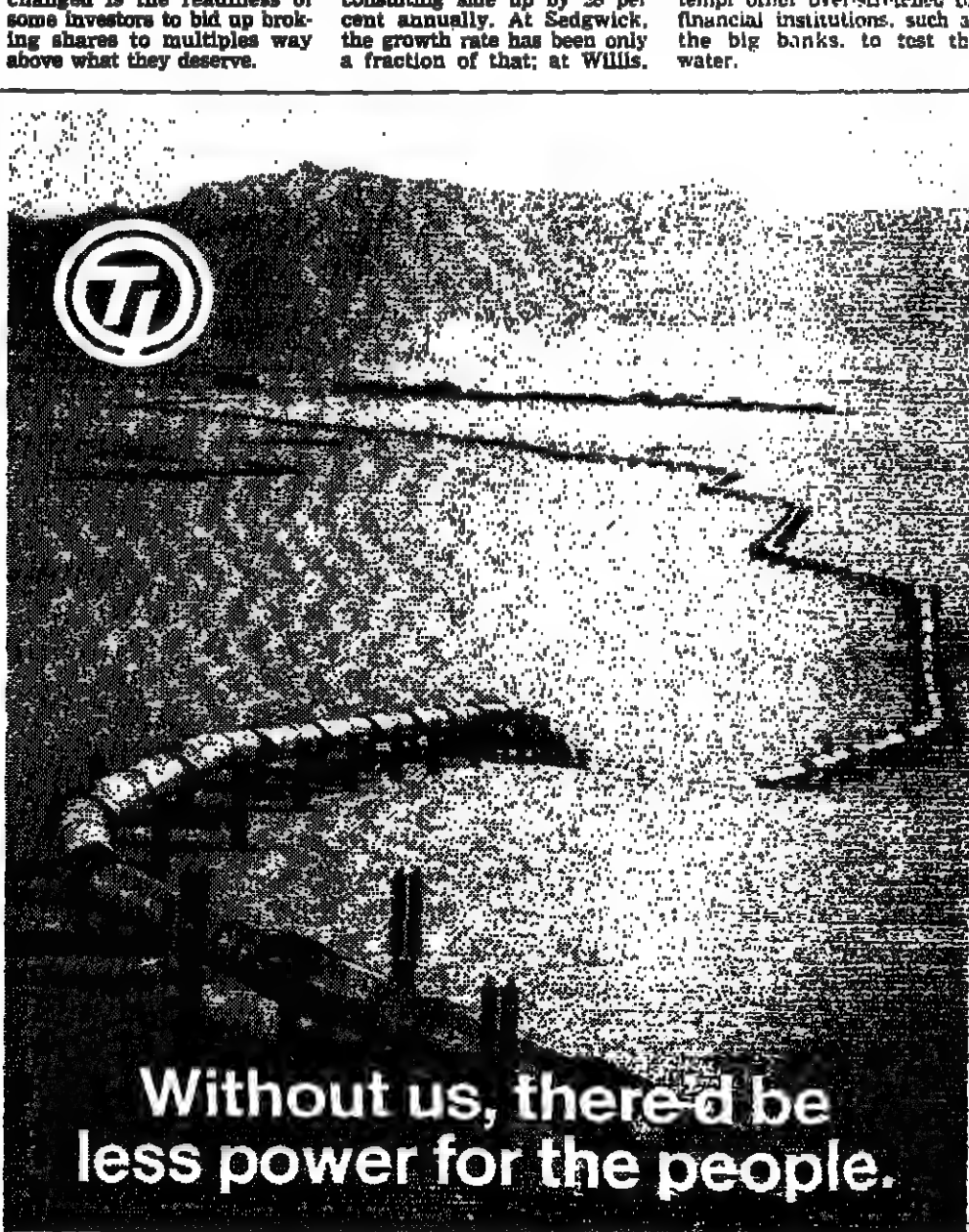
Continued from Page 1
sense of reality. My fear is that his Government is too obsessed with unobtainable targets, such as these 360,000 firings, which distract (him) from the real situation."

Control of the money supply has not been tight enough to prevent inflation reaching 11 per cent this month, a considerable improvement on the Government which declared it beaten in April, though still a significant improvement on last year's 1,800 per cent.

President Collor's second line of attack which was to end the indexation of wages that had meant an automatic spiralling of inflation, and intro-

duce free collective bargaining, was dealt a blow when Congress gave him his first defeat at the end of May. In emergency decree to stop regional labour courts awarding high pay rises was struck down as unconstitutional by the Supreme Court a week later. Employees are suing for payment to compensate for inflation since February, which if awarded would undermine the whole plan.

Chinks are appearing in President Collor's armour. His poll ratings have slipped from 80 per cent in late March to 55 per cent, and it becomes more important that he brings off today's dismissals.



Without us, there'd be less power for the people.

John Crane is just one of the TI Group companies providing solutions to critical problems. Its Type 881 and Type 28AT seals are an essential feature of pipelines carrying Siberian gas right across the frozen wastes of the Soviet Union. Without them, fewer people would come in from the cold.

TI Group

We get the critical answers right

For further information about the TI Group, contact the Department of Public Affairs, TI Group plc, 10 Curzon Square, London W1J 9JL, England.

WORLDWIDE WEATHER

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	24	15	D	24	15	D	24	15	D
Amman	24	15	D	24	15	D	24	15	D
Antwerp	18	15	D	18	15	D	18	15	D
Athens	24	15	D	24	15	D	24	15	D
Bahia	24	15	D	24	15	D	24	15	D
Bombay	24	15	D	24	15	D	24	15	D
Buenos Aires	24	15	D	24	15	D	24	15	D
Calcutta	24	15	D	24	15	D	24	15	D
Cardiff	18	15	D	18	15	D	18	15	D
Cebu	24	15	D	24	15	D	24	15	D
Colon	24	15	D	24	15	D	24	15	D
Copenhagen	18	15	D	18	15	D	18	15	D
Dar es Salaam	24	15	D	24	15	D	24	15	D
Delhi	24	15	D	24	15	D	24	15	D
Dubai	24	15	D	24	15	D	24	15	D
Edinburgh	18	15	D	18	15	D	18	15	D
Hankow	24	15	D	24	15	D	24	15	D
Hong Kong	24	15	D	24	15	D	24	15	D
Imbabura	24	15	D	24	15	D	24	15	D
Jakarta	24	15	D	24	15	D	24	15	D
Johannesburg	24	15	D	24	15	D	24	15	D
Kobe	24	15	D	24	15	D	24	15	D
London	18	15	D	18	15	D	18	15	D
Lyons	18	15	D	18	15	D	18	15	D
Manila	24	15	D	24	15	D	24	15	D
Medan	24	15	D	24	15	D	24	15	D
Mexico City	24	15	D	24	15	D	24	15	D
Moscow	18	15	D	18	15	D	18	15	D
Mumbai	24	15	D	24	15	D	24	15	D
Nairobi	24	15	D	24	15	D	24	15	D
Paris	18	15	D	18	15	D	18	15	D
Peking	24	15	D	24	15	D	24	15	D
Rangoon	24	15	D	24	15	D	24	15	D
Rio de Janeiro	24	15	D	24	15	D	24	15	D
Sao Paulo	24	15	D	24	15	D	24	15	D
Seoul	24	15	D	24	15	D	24	15	D
Singapore	24	15	D	24	15	D	24	15	D
Sourabaya	24	15	D	24	15	D	24	15	D
Taipei	24	15	D	24	15	D	24	15	D
Tokyo	24	15	D	24	15	D	24	15	D
Ulaanbaatar	18	15	D	18	15	D	18	15	D
Yokohama	24	15	D	24	15	D	24	15	D

C-Cloudy D-Dry F-Fair G-Good H-Hazy L-Low P-Poor S-Sunny Sh-Show T-Thunder

Monday June 18 1990

CAMERON MARKBY HEWITT

Sceptre Court
40 Tower Hill London EC3N 4BB
Telephone: 071-702 2345

Also at Lloyd's

INSIDE

Mexico floats telephone stake



Mexican President Carlos Salinas de Gortari (left) has given the go ahead to the first stage in privatising the country's telephone service, Telefonos de Mexico. Plans include floating a portion of the Government-owned company and the Japanese stock market. Page 23

Market shrugs off the bears

The bears were out in strength last week - on paper, not in the market. Pessimistic soundings from analysts over hopes and possible effects of UK entry to the Exchange Rate Mechanism of the European Monetary System, were ignored and the market strengthened again last week. It finished higher despite another eight-year record high for the Retail Price Index, reports Andrew Marshall in the gilt column. Page 24

Engineering an executive role



After years of bemoaning that they were overlooked and undervalued, senior engineers are becoming more important. Recently one recruiting company bagged an engineering director for a pay package of more than £100,000 (£165,000). This week's business column argues that the rising status of senior engineers reflects fundamental changes in how manufacturers sharpen their competitive edge. Back Page

Soviet shareholders boost bank

The Moscow Narodny Bank, the Soviet-owned bank which last year celebrated 70 years in London, has received a capital injection from its shareholders. The move, which increases its issued capital to £120m (£201m) from £103m, is the second example of support for the bank from shareholders within a year. Stephen Fidler reports. Page 25

Market Statistics

Base lending rate	31	Money markets	31
FTSE 100 index	23	New 100 bond index	23
FTSE 100 turnover	23	FTSE 100 bond index	23
FTSE 100 turnover	23	FTSE 100 bond index	23
Foreign exchange	23	US dollar market index	23
London stock index	23	US dollar market index	23
London share service	23	World stock index	23
Managed fund service	23	World stock index	23

Companies in this section

Arab Banking Corp	23	House of Fraser	23
BankAmerica	23	IBM	23
Bio-Innovations	23	Kuwait Inv. Office	23
Bulgin (AF)	23	Moscow Narodny Bank	23
Conycon	23	Sarwa	23
Eastman Kodak	23	Telecom	23
First Chicago	23	Torras Hosenz	23
Hanover Druce	23	Windsor	23

Builders put their European houses in order

Andrew Taylor reports on a trend in acquisitions as 1992 approaches

LAST week's purchase by Philipp Holzmann, the West German construction company, of a stake in Tibury, the UK contractor, is the latest in a rash of cross-border acquisitions and joint ventures involving European construction companies.

French and German construction groups have been particularly active as companies jockey for position during the run-up to the single EC market in 1992. Holzmann, which paid less than £20m for its 14.05 per cent stake in Tibury, last year acquired a 50 per cent stake in Jotex, a Spanish contractor, 40 per cent of the French construction company, Nord France, and the Dutch firm, Rijkswaterstaat.

Many of the recent acquisitions have been in the UK, which has been slower than some of its Continental rivals to seek a foothold in neighbouring European markets. This partly reflects pressure on British companies to maximise short-term earnings per share growth to maintain stock market ratings.

It is difficult to pursue expensive Continental acquisitions as part of a long-term investment strategy, when stake building would mostly dilute earnings. British contractors are already

under pressure due to the recession in the UK housebuilding and commercial property markets.

Not all purchases have gone well. The acquisition 15 months ago by Hochtief, a West German contractor, of a 50 per cent stake in Rush & Tompkins, the British property developer and contractor, ran aground in April when the UK group went into receivership.

A large part of Rush & Tompkins' contracting operations have been sold by the receivers to Ballast Neam, a Dutch contractor acquired by British Aerospace in 1987. Hochtief, however, became one of the first Continental companies to win a public tender in Britain because of its relationship with Rush & Tompkins.

Richard Hopewell, a construction analyst with Swiss Bank, which today publishes a comprehensive review of European construction markets - says the decline in the early 1980s of the Middle East as a major source of work led many European contractors to concentrate on building up domestic businesses. Several of these companies now want to expand into other markets. "It is not coincidence that contractors have reached a stage almost simultaneously when they are



Cross-border holdings between European contractors

Company	Country	Stake in	Country	Stake
Bouygues	France	Banco Central	Spain	4%
		Centra/Trabajos	Spain	85%
		Ferrocarril	Spain	70%
		Dywidag	Germany	10%
		CFE	Belgium	30%
		Leopoldine	UK	5%
Dywidag	Germany	Maurice Delmas	Netherlands	40%
Fougerolle	France	Werner u Trachte	Germany	50%
GTM Entrepres	France	Norwest Hotel	UK	85%
SGE	France	G&H Montage	Germany	100%
Spie Batignolles	France	Davy Corporation	UK	14%
Jean Lefebvre (GTM)	France	Probia	Spain	14%
Bilfinger & Berger	Germany	Birag Group	UK	15%
Holzmann	Germany	Jotex	Spain	50%
		Nord France	France	40%
		Hillen & Roosen	Netherlands	100%
		Tilbury	UK	14%
Dragados	Spain	Hansul Rois	Portugal	75%
Trafalgar House	UK	Sofresid	France	40%
Huarte	Spain	Empresa Tecnica	Portugal	100%
and Intertrade	Italy			
Intertrade	Italy	Solius	Spain	100%
Imprest	Italy	Hansa-Huarte	Spain	33%
Ballast Neam	Neth	Rush & Tompkins	UK	"
		(part of)		
HSG	Neth	CEI	Belgium	100%
		Nutall	UK	100%
		Kyle Stewart	UK	100%
		Beckhuis	Netherlands	10%
Decolodt	Belgium			

* owns 30% of Dragados (Spain) * bought majority of contracting business from receivers Source: Swiss Bank Corporation and FT

Flags and other burning issues

By Anthony Harris in Washington

THE US stock market, according to a study which has attracted a good deal of attention here in the last week, is the least volatile of the major markets.

This should be no surprise to investors, who ought to be aware of such facts without being told, but it appears to be a surprise to the politicians, who continue to behave as if Wall Street volatility was an urgent problem.

The Administration and Congress are spending a vast amount of time on a problem which is only important in this context: whether the financial futures market should be regulated by the Commodity and Futures Trade Commission in Chicago (CFTC), as at present, or by the Securities and Exchange Commission (SEC).

There is pretty good authority for saying that this is an essentially trivial question. The Federal Reserve, which has rejected an invitation to do the job, is split on the issue; and Mr Alan Greenspan, chairman of the Federal Reserve Board, has admitted that he is only "marginally" in favour of the SEC as regulator.

Nevertheless, the Administration treats the question as if it was of prime importance; and so it is, to some people, it matters to the very able and equally ambitious Mr Richard Breen, head of the SEC: the way to make progress in Washington is by winning turf wars.

A decision in favour of the SEC will bring personal solace to Mr

Nicholas Brady, who first proposed unified control of the markets two years ago in his report on the 1987 stock market crash. That report argued that the futures market should be under the same rules as the stock market. The advice was simply ignored by the Reagan Administration. That must have stung.

So must the sceptical reaction of the Bush plan for "Third World" debt (rightly sceptical, as it has turned out), and the current Washington belief that the Treasury has lost control of economic policy to the Fed.

Mr Greenspan, chairman of the Federal Reserve Board, has increased determination in the White House to win one for Nick Brady, who is Mr Bush's most intimate friend among his colleagues.

Now there is nothing wrong with advancing the career of one of the ablest men in the capital, or the prestige of one of the nicest; but it is an odd use of political time when there are more important things to consider. Apart from the budget crisis, which is at least under consideration - though totally



unproductive consideration, according to the leaks so far - there is a generalised financial crisis which is still growing.

The US banking system, which has already had to write off enormous losses on its reckless lending to Latin America in the 1970s, is now seen as quite urgently threatened by equally large losses on property lending. This must look like a market convulsion which Washington can only helplessly watch. In fact, the Government has an active role through two of its agencies: the office of the Comptroller of the Currency, which sets prudential standards for banks, and the trading activities of the Resolution Trust Corporation (RTC), the body charged with managing and realising the assets of bankrupt savings and loan bodies.

The Comptroller, Mr Richard Clarke, is now involved in what looks like a permanent road show, where he attends regional bankers' meetings to deny that his agents are trying to impose a squeeze on property credit. It is the market which has changed,

he says, we are simply applying our normal standards. He is probably right, for US bank directors tend to rush to extremes when financial change is being pursued with great urgency; but it has been imposed for no apparent reason except to convince the public that something is being done.

Yet the US Treasury could readily finance a sensible holding operation, designed to phase out the realisations to secure the best value for taxpayers, if it were given the political authority.

It all comes down to leadership, as do most questions in the Bush era. Other countries such as the UK and Japan have been able to mount operations explicitly designed to deflate speculative land markets, and to produce dismay well short of panic.

In the US, nobody seems willing to say that markets can get out of hand. Result: a squeeze with no explicit aims produces generalised dread. This does matter.

Construction accounts for about 8 per cent of GNP. The housing market is already demographically weak (a fact at last admitted in a report from the property industry), the commercial market is over-supplied, and quite a sharp contraction is inevitable. If uncertainty turns this into an industry depression, the direct and indirect impact (through consumer durables) could depress the economy.

As it is, the downturn in construction and car sales is enough to offset the 1 1/2 per cent which export growth promises to contribute to GDP this year. But the Government has nothing to say. In a city of evasive opportunism, only the Fed conveys a sense of steady purpose; small wonder that Mr Greenspan's clout seems to grow heavier each day, even when he does nothing perceptible to the naked eye.

Meanwhile, the top item on the political agenda is the most disgraceful triviality of them all - the flag amendment. The Supreme Court has judged that the Constitution protects even those who insist on its visible symbol, the Stars and Stripes. This has been seized by the White House as an opportunity. It proposes that the Constitution must be changed. Dr Johnson had the only adequate comment. Patriotism is the last refuge of scoundrels.

Economics notebook: US/Japan public works row

Tokyo defends right to silence

WITHIN days of the publication of the interim report on the US-Japan Strategic Impediments Initiative (SII) last April, officials in Japan's Ministry of Finance began arguing that a long-term commitment on public works spending, such as the one demanded of Japan in the report, was out of the question.

Such a reaction was entirely predictable from the power-conscious and conservative gnomes of Kasumigaseki.

How dare anyone try to usurp their right to adjust the use of such a sensitive economic lever from year to year? How preposterous to expect them to set public works spending targets for a nine or 10-year period?

In reality, as anyone who has spent much time in Japan knows, it is not yet bad idea. Much of Japan's infrastructure - including the Ministry of Finance's own building - is still of Third World quality. Even that which is fairly modern, such as Tokyo's Narita airport, has become totally inadequate to the country's needs.

Nevertheless, if the gnomes had their way, as they did for the first half of the 1980s, little would be done to improve it.

Public works spending as a percentage of gross national product slipped as low as 3 per cent in the years from the late 1970s to 1986. It jumped to about 6 per cent in 1987 following intense US pressure on the Japanese Government to stimulate the economy and in the current year is expected to be about 6.3 per cent.

Yet the US started to get aggressive again last summer about Japan's relatively low public works spending when it discovered that not only the country's highly-competitive private sector had a surplus, but so did the public sector.

This was seen as an outrageous state of affairs, reflecting

an excessive Japanese tendency to save and a still under-developed will to spend. Demands were issued for an immediate boost in public works spending, but were soon muted.

Japanese officials pointed out that the economy was already operating at full stretch, and any stimulus from the public sector at that time would be dangerously inflationary.

But US officials remained unhappy and so returned to the theme in the SII talks.

They managed to get a general commitment from the Japanese in the interim report to increase public spending "relative to the size of its economy" over the medium term.

Subsequently, the US has made its demand more precise. They are apparently seeking a rise in the annual public works spending rate to 9 or 10 per cent of GNP within three to five years, and maintenance of that rate thereafter.

Ministry of Finance officials fumbled around for a few weeks, not knowing quite how to neutralise this wholly unwelcome attack on their fiscal prerogatives.

Then, suddenly in May, a *dansu ex machina* appeared in the form of a report from the International Monetary Fund. It suggested that, in view of the huge future capital needs of eastern Europe, Japan's much criticised current account surplus was perhaps a good thing after all.

To say that Japanese government and business leaders were thrilled by this report would be an understatement. Their embrace has been so enthusiastic that some diplomats in Tokyo are beginning to worry that Japan's commitment to reducing its bloated surpluses will be forgotten and rows with trade partners will worsen.

The fact that the UK and other European governments have supported the IMF view, at least to the extent of saying that this is hardly the time to be discouraging savings anywhere, is not going to make things any easier for Japanese moderates.

Meanwhile, Japan's economy has remained more buoyant than some expected in the aftermath of the country's stock market slump in the first quarter; thus, the appropriateness of an increase now in public works spending is as much a question as it was a year ago.

Certainly, factors that would be aggravated by a boost in construction activity, such as the supply of labour and building materials, are among those from which inflation warning bells are being heard these days.

In any event, as the final round of SII talks next week in Tokyo approaches, Japanese officials have become much more outspoken in their criticism of the US demand; even to the point of questioning their US counterparts' understanding of basic economics.

"They are all lawyers or monetarists, they refuse to take account of the cycle," one complained last week.

More seriously, they point out that merely to maintain the current rate of public works spending, given a roughly 4.7 per cent rise in nominal GNP, will require a similar growth rate in public works budgets.

To then raise the rate to nine or 10 per cent over three to five years would require a further annual rise of 4 or 5 per cent, which would be enough to destabilise the economy.

Of course, some in Tokyo think that is what the US has in mind.

Ian Rodger

THIS WEEK

THIS is a heavy week for statistics in Britain and the US but with few interesting figures being released elsewhere.

In Britain, the markets' attention will focus on Friday's trade and current account figures for May. Last week, the Government announced that last year's current account deficit was almost £20m (£3.2bn) less than the £20.8bn previously estimated and also revised down this year's first quarter deficit to £4.74bn from £5.47bn previously.

The changes resulted from stronger than expected invisible exports and these will also be reflected on Friday in the monthly visible trade and current account figures for the first five months of this year.

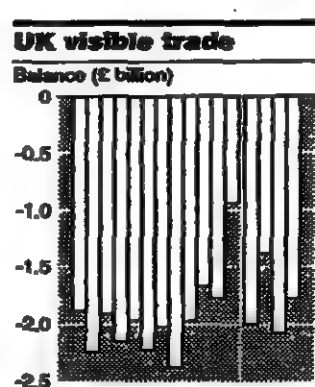
However, the consensus of analysts' forecasts compiled by MMS International, the financial research company, suggests that the May deficits on trade and current account will still be substantial, at £1.6bn and £1.4bn respectively.

Today's latest UK industrial production figures for April are expected to show output stagnating while unit labour costs for April, also out today, could show an annual growth rate of almost 8 per cent.

Detailed first quarter gross domestic product figures for the UK are expected to be released on Friday, the day after the US publishes revised first quarter GNP data. Canada and Japan are also due to publish GDP and GNP data for the first quarter. Together these should present a picture of generally sluggish growth in the Anglo-Saxon economies, offset by a stronger performance in Japan.

Statistics and events (with MMS consensus figures in brackets) include:

Today: UK, output of the production and manufacturing industries for April (flat), unit labour costs for April (up 7.8 per cent annually), public sector borrowing requirement for May (£750m).



UK visible trade

Balance (£ billion)

1989 1990

Tomorrow: US, May housing starts (1.22m). Switzerland, May wholesale price index, unemployment.

Wednesday: UK, Money supply figures for May (M0 up 0.4 per cent, M4 up 0.9 per cent, bank and building society lending £5.5bn). France, May trade balance (FFr4.4bn deficit). Canada, first quarter GDP (up 0.8 per cent at a seasonally adjusted annual rate), first quarter current account (minus \$2.5bn). US, Federal Reserve publishes latest "tan book."

Thursday: US, final first quarter GNP (up 1.3 per cent), final first quarter GNP deflator (5.7 per cent), first quarter after-tax profits, M1, M2 and M3 for week ended June 11, Federal Reserve Board Chairman Alan Greenspan testifies on credit availability to Senate Banking Committee. Canada, April retail sales (down 0.7 per cent). France, April industrial production (up 0.3 per cent). Japan, April personal income and consumption.

Friday: UK, May visible trade (£1.6bn deficit) and current account (minus £1.4bn), first quarter average GDP (up 0.4 per cent), May building society commitments (£5.5bn). US, May durable goods orders (up 2 per cent), May personal income (up 0.4 per cent), May personal consumption expenditure (up 0.2 per cent), May bank credit.

ONE PROPERTY ORGANISATION... AND NOW SEVENTEEN PRIME LOCATIONS

One property organisation offers an unparalleled range of industrial and commercial property and land in seventeen New Towns across England, including Warrington and Runcorn.

This organisation offers unrivalled opportunities to industrial and commercial businesses, investors and developers.

This organisation is the Commission for the New Towns. For further information dial 100 and ask for Freephone CNT Property Centre.

Basildon, Bracknell, Central Lancashire, Corby, Crawley, Harlow, Hatfield, Hemel Hempstead, Northampton, Peterborough, Redditch, Runcorn, Skelmersdale, Stevenage, Warrington, Washington, Welwyn Garden City.

COMMISSION FOR THE NEW TOWNS
PO BOX 176, LONDON SW18 1BU

INTERNATIONAL BANK LENDING

INTERNATIONAL BONDS

Sweden offers investors a liquid high-gaining sector

	Cable	Satellite	Total
US\$	18,734.4	29,375.2	48,109.6
Prev	16,703.6	27,430.7	44,134.3
Other	25,965.1	38,593.7	64,558.8
Prev	27,575.9	34,063.6	61,639.5

Week to June 14 1990

the business finance market in the UK, according to an official.

STERLING	
Tesco Capital(o)◆	200
ECUs	
Electric Power Dev. Co.◆	100

2006	15.06	9	100
1995	5	10^2_2	101^5_9

Credit Suisse	8.730
S.G. Warburg Sodite	★
UBS Phillips & Drew	9.201
ISB Int.	10.071

paying 4 1/4% Redemption linked to DAX stock index over 6-month Libor. Call in years 5, 6, and 7 at 100% of notional. Maturity Dec. 1999. i) Coupon pays 25bp over 3 m. per 2m warrants launched separately or over the exercised on coupon dates between 1995 and 1999. ii) Not converted repayment in US\$ at indicated rate. iii) Not converted repayment in US\$ at indicated rate. iv) 5 years at 100. v) 25bp over 6-month Libor. Secured by July 1993 declining 1% p.a. to 100 Convertible. Put on each interest payment date at par over 100. vi) 13000 issue price: FF1150 for bond and FF190 for warrants.

1) 1000 bonds \$10m price of 103.02, 2) Laureate
A Index, 3) Coupon pays 400p under Japanese
at option in 10th year, 4) Global Insure 300p over
over 3-month Libor first two coupons, then over
floating holder to buy a separate series of 5%
1982 and 1985 at exercise price of \$545.10, 5)
d \$3000 per \$50000, 6) 500p over 6-month Libor
by dual-currency bonds, 7) Additional \$10m
vision price \$22.5, 8) Fungible with Y400 bond
outside Finland 9) FF2/US000 1000 issued of which
are attached warrant, Unborn warrants redeemable

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS															
Yohio Group Finance(s)♦	118	1981/2000	1 1/10	8.85	100	Merrill Lynch Int.	8.980	Credit Local de France(s)♦	50	1988	5	(b)	100	Societe Generale	-
Student Loan Mkt. Ass'n♦	800	1980	(a)	90bp	100	(a)	-	Calafia Nalden Autorovos♦	225	1986	5	10 1/2	101 1/4	Credit Lyonnais	10.028
Banco di Sicilia(London)(p)♦	100	2000	7 1/2/10	(f)	100	BSI Int.	-	Postpaniki(m)♦♦♦	80	1983	3	-35bp	100.20	Postpaniki	-
General Elec. Cap. Corp.♦	250	1993	3	8	101.45	SBC	8.433	FRENCH FRACS							
Best Ltd.(p)♦	111.3	1993	5	25bp	100.70	Suntomo Trust Int.	-	Schneider SA(m)♦	800	2000	10	8 1/2	FF1300	Barque Paribas	-
Browning-Ferris Ind.(US)	250	2005	15	15	100	CSFB	8.285	LIRE							
Sunbelt Enterprises(p)♦	200	2002	12	11 1/8/84	94.898	Citicorp Inv.Bank	11.79/14.43	E.I. Dupont de Nemours♦	1250n	1994	4	12 1/2	100.00	Credito Italiano	11.650
CANADIAN DOLLARS															
Japan Development Bank♦	100	1995	8	12 1/2	101.53	BSI Int.	11.898	PESETAS							
CCIC Canada♦	100	1985	8	12 1/2	101.57	Merrill Lynch Int.	11.703	Surofinas♦	100n	1986	5	13 1/4	100 1/2	S. Espanol de Credito	13.498
Credit Agricole♦	100	1983	3	12 1/2	101 1/2	BSI Int.	11.948	LUSEMBOURG FRANCES							
AUSTRALIAN DOLLARS															
Nor Sth Wales Treasury(p)♦	100	2006	16.88	Zero	14 1/2	Hambros Bank	13.038	Seab-Scania Int. Fin.♦♦♦	300	1996	5	9 1/2	102	BIL	8.358
Deutsche Bank Finance♦	50	2000	10	8	80	Dahwa Europe	13.528	Sgs Industries-Paris(p)♦♦♦	300	1998	6	9 1/4	102	Banque Indosuez	8.200
D-MARKS															
Bank of Greece(p)♦	300	1998	8	35bp	100	Dresdner Bank	-	CFP-Paribas♦	800	1994	3.82	10 1/2	100.00	Kreditbank Int.	9.142
World Bank(q)♦	200	1992/2000	2 1/10	8	99 1/2	Commerzbank	9.078	Banque Worms♦♦♦	300	1987	7	Zero	83.70	Kreditbank Int.	8.288
Kyushu Leasing♦♦♦	80	1994	4 1/4	(r)	100	WestLB	-	FINNISH MARKKA							
Eurofin(s)♦	200	1992/2000	2 1/10	9	100 1/2	J.P. Morgan	8.942	Outokumpu Finance♦	200	1993	3	13 1/2	101 1/2	Postpaniki	12.918
SWISS FRANCES															
World Bank♦	200	2000	-	7 1/2	102	Credit Suisse	8.842	YEN							
Johnson & Johnson♦	180	1994	-	7	101 1/2	UBS	8.525	Metropoliten Est. & Prop.(p)♦	200n	1985	5	-40bp	100.10	Nomura Int.	-
Province of Manitoba♦	200	2000	-	7	102	USBS	8.988	Metropoliten Est. & Prop.(p)♦	100n	1995	5	25bp	100.10	Daiwa Europe	-
Steel, Enshida, Boshu♦	150	1997	-	7 1/2	101 1/2	Credit Suisse	7.050	EBI(p)♦	200n	2000	10	8 1/2	100 1/2	Nomura Int.	8.873
Meat Industrial Centre♦	80	1995	-	7 1/2	101 1/2	Hambros Bank/West	8.780	Financing placement. Floating rate notes. 3-Month term, 10 Pungible with raising \$100m bond 318m priced at 100.00. 1) Launched 2 new tranches: one with zero coupon and one paying 4 1/4%. Redemption linked to S&P stock index. 2) Conversion price 400p under Japanese long-term price rate. 3) Coupon pays 30bp over 6-month LIBOR. Call at years 6, 4 and 7 at 100. Put option at 80p. 4) Global issues 30bp over 6-month London fixed rate of 7 1/8% 1990 until maturity. 5) 100% conversion into US\$ at indicated 300.00. 6) 50bp over 6-month LIBOR. 7) Call at years 2002 and 1995 at 100. 8) 20% warrants launched separately entitling holder to buy a separate series of 9% 10-year(1000-coupon) bonds at 100%. Warrants can be exercised on coupon dates between 1992 and 1995 at purchase price of 104.00. 9) 30 warrants per \$1000 of 10-year(1000-coupon) bonds. 10) 10% conversion into US\$ at indicated 300.00. 11) 100% conversion into US\$ at indicated 300.00. 12) 10% conversion into US\$ at indicated 300.00. 13) 10% conversion into US\$ at indicated 300.00. 14) 10% conversion into US\$ at indicated 300.00. 15) 10% conversion into US\$ at indicated 300.00. 16) 10% conversion into US\$ at indicated 300.00. 17) 10% conversion into US\$ at indicated 300.00. 18) 10% conversion into US\$ at indicated 300.00. 19) 10% conversion into US\$ at indicated 300.00. 20) 10% conversion into US\$ at indicated 300.00. 21) 10% conversion into US\$ at indicated 300.00. 22) 10% conversion into US\$ at indicated 300.00. 23) 10% conversion into US\$ at indicated 300.00. 24) 10% conversion into US\$ at indicated 300.00. 25) 10% conversion into US\$ at indicated 300.00. 26) 10% conversion into US\$ at indicated 300.00. 27) 10% conversion into US\$ at indicated 300.00. 28) 10% conversion into US\$ at indicated 300.00. 29) 10% conversion into US\$ at indicated 300.00. 30) 10% conversion into US\$ at indicated 300.00. 31) 10% conversion into US\$ at indicated 300.00. 32) 10% conversion into US\$ at indicated 300.00. 33) 10% conversion into US\$ at indicated 300.00. 34) 10% conversion into US\$ at indicated 300.00. 35) 10% conversion into US\$ at indicated 300.00. 36) 10% conversion into US\$ at indicated 300.00. 37) 10% conversion into US\$ at indicated 300.00. 38) 10% conversion into US\$ at indicated 300.00. 39) 10% conversion into US\$ at indicated 300.00. 40) 10% conversion into US\$ at indicated 300.00. 41) 10% conversion into US\$ at indicated 300.00. 42) 10% conversion into US\$ at indicated 300.00.							

Gilbert Elliott Securities Limited, is in the course of changing its name to Hoare Govett Gilbert Elliott Limited.
Member of The Securities Association Member of The International Stock Exchange Member of The Association of International Bond Dealers
Incorporated in England (No. 2428715). Registered office Salisbury House, London Wall, London EC2M 5SP

Dr. J. H. H. H.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Mexico to offer 20% of Telmex

By Richard Johns in Mexico City

THE MEXICAN Government is offering a 20.4 per cent holding in Telefonos de Mexico (Telmex) as part of a privatisation strategy aimed at drawing in a foreign telephone utility as a partner.

With the company's current market valuation the equivalent of about \$7bn, such a stake would cost \$1.4bn. However, the Government - which owns 56 per cent of Telmex - is undertaking a complex capital restructuring of the company to enable the successful bidding consortium to gain effective control at a diluted price.

Following an extraordinary meeting of shareholders held on Friday, as an initial step towards divestiture it will dispose of 5 per cent. One and half limited (non-voting), so-called L-shares will also be issued to existing shareholders for every one held. Telmex shares are traded on the Nasdaq over-the-counter market in the US in the form of American depository receipts and as much as 25 per cent of the company is already under foreign ownership.

Telmex has been a strong performer on the Bolsa Mex-

icana de Valores (BMV) since the company began a reshaping over a year ago.

The Government is seeking to sell the 20.4 per cent holding to a controlling group, including a foreign partner, able to provide technology to upgrade and expand the country's telecommunications system. It is looking for an investment in the business of as much as \$10bn over the next 10 years. The foreign group is expected to be permitted a maximum 49 per cent share in the consortium, and may have its voting rights to the Telmex shares

restricted by a trust mechanism.

Acciones y Valores, a brokerage house, and the Desc Group holding company have been identified as Mexican interests building up substantial shareholdings in Telmex.

Foreign telecommunications companies known to have been involved in talks with potential Mexican partners are Telefonos de Spain, NTT of Japan, BellSouth and Southwestern Bell of the US, and British Telecom. However, BT is understood not to be pursuing the idea actively.

Decision reached on division of Conycon

By Peter Bruce in Madrid

THE LENGTHY break-up of the marriages and business empire of two of Spain's most successful modern entrepreneurs, the cousins Alberto Cortina and Alberto Alcorer, from their wives, Alicia and Esther Koplowitz, took a decisive step forward this weekend with the parties agreeing on a division of the industrial and financial holdings of the group they created, Construcciones y Contratas (Conycon).

Under the deal, the two estranged husbands are to take over control of Conycon's 30 per cent stake in the successful medium sized commercial bank, Banco Zurgazano, 10 per cent in Cofir, the Spanish investment arm of Mr Carlo de Benedetti, 5 per cent of Canal Plus, a new satellite television channel, and 10 per cent of Estrutura, a small business publishing group.

The agreement leaves the two sisters in full control of Gruyccsa, the Conycon group's holding company, which owns the Construcciones y Contratas construction company, the Portland Valderribera cement group, which also owns the giant new Torre Picasso office block in Madrid, and the building and municipal services group, Focsa.

The agreement also covers the division of huge rural estates and allows the two Albertos to continue running their share of the Conycon spoils from their luxury offices at the top of the Torre Picasso. It is assumed that the empire will one day unite again when it passes to the children of both marriages.

ABC issue oversubscribed

ARAB Banking Corp, the Bahrain based bank, said its \$350m share offering, the biggest ever held in the Middle East, had been 14.3 per cent oversubscribed, mainly by Arab investors.

Mr Abdullahi Saadi, ABC president, said 84 per cent of the bank's issue of 25m shares had been privately placed.

Moscow Narodny Bank receives capital injection

By Stephen Fidler, Euromarkets Correspondent

THE Moscow Narodny Bank, the Soviet-owned bank which last year celebrated 70 years in London, has received a capital injection from its shareholders.

The move, which increases its issued capital to \$120m (\$300m) from \$100m, is the second example of support from shareholders within a year.

According to the bank's annual report, Moscow Narodny transferred \$49.3m of problem sovereign loans to an unspecified shareholder, thereby freeing \$27.1m of provisions previously made. A further \$15.9m of provisions would have been required last year under the new Bank of England matrix.

The bank's shares are held by a variety of Soviet institu-

tions. Each shareholder other than Eurobank in Paris renounced its subscription rights in favour of the State Bank of the Soviet Union, the Soviet central bank. State Bank and Vnesheconombank, the Bank for Foreign Economic Affairs, thus now own between them more than 50 per cent of Moscow Narodny.

Mr Bill Newman, an assistant general manager of the bank, said the bank was well poised to take advantage of an opening up of the east European markets. He said the bank had suffered some withdrawal of credit lines by some small creditors arising out of publicity about delays in payments to Soviet trade creditors, but this had been

peripheral and had not significantly affected the bank's operations.

The annual report shows a significant drop in profits after tax, provisions and transfers to inner reserves to \$290,000 (\$494,000) from \$5.63m. Net banking profit rose though to \$21.5m from \$15.4m. The bank's capital reserve benefited from an \$18.8m revaluation of the bank's buildings in Singapore and London.

Reflecting a shift in emphasis following a reorganisation of the bank - which has reduced staff numbers to around 170 now from a peak of 270 two years ago - fee-based income accounted for 37.5 per cent of the total last year, compared with 15 per cent in 1983.

KIO seeks to buy rest of Torras

By Peter Bruce

THE KUWAIT Investment Office (KIO), has asked permission to launch a takeover bid for the last remaining 2.27 per cent of its Spanish industrial holding affiliate, Torras Hochtief, still quoted in Spain, in the final part of its effort to regain total control of the company and remove it from the stock market.

KIO, along with some close associates in Spain, already controls 97.73 per cent of Torras following a takeover offer earlier this year which is thought to have cost it more than \$1460bn (\$576m). Although an offer price for the remaining shares has not been released, it is understood the offer could cost the Kuwaitis about \$1460bn. KIO and its Spanish associates plan to remove Torras's financial and its industrial holdings after the takeover.

After hours trade move by Amex

THE American Stock Exchange has joined the Chicago Board Options Exchange, the Cincinnati Stock Exchange and Reuters, the communications group, to form a global network to trade securities after hours, Reuters reports.

The New York Stock Exchange this week announced plans to begin after-hours trading.

Computer makers form alliance

By Louise Kehoe in San Francisco

EASTMAN Kodak and IBM are to form an "alliance" to develop a new generation of computer systems for publishers of newspapers and magazines.

Kodak's Electronic Pre-Press Systems subsidiary, which includes Atex Publishing Systems, the leading supplier of computerised publishing systems, will collaborate with IBM's Media Industry Marketing group to establish and support a publishing system architecture based on open industry standards, the companies said.

The alliance will add IBM's marketing muscle to Atex's software expertise, industry analysts said. It represents a

competitive challenge to companies such as Systems Integrators, which specialises in newspaper publishing systems.

By adopting industry standards, IBM and Kodak aim to link the pre-press functions of a publishing system - editorial, advertising and production - with business functions such as circulation, finance, management reporting, and credit checking and billing for advertising, to create "enterprise-wide" computer systems for publishers.

IBM will provide technical, marketing, development and financial resources to this endeavour and will play an active role in strategic and operational activities, the company said.

Kodak's EPSS will provide its publishing industry and applications software expertise.

"The alliance with IBM will enable us to focus on imaging and publishing systems software, which is where we can add value for our customers. It's clear we both bring much to this alliance and have a lot to gain from the partnership," said Mr John White, vice president and general manager of Kodak's Integration and Systems Products Division.

The alliance reflects IBM's strategy of developing industry-specific computer "solutions" and Kodak's move to focus on areas of expertise such as imaging.

Bank to issue credit card bond

By Tracy Corrigan

FIRST Chicago, the US bank, is preparing to launch \$1bn of credit card backed bonds in the US and international markets simultaneously, the second global issue of such securities.

The five-year fixed-rate issue, expected to emerge next week, will be lead managed by First Boston in New York and Credit Suisse First Boston in London.

Citicorp launched the first global credit card issue last month. The \$1.25bn five-year deal was issued through a vehicle called Standard Credit Card Trust, and arranged by Salomon Brothers.

The concept of global issu-

ance was pioneered by the World Bank, which launched the first global deal last year.

Borrowers hope to reduce their funding costs by broadening distribution and eliminating price differentials between markets.

The five-year SCOT bonds are currently trading at a spread of about 78 basis points above the five-year US Treasury yield.

Deutsche Bank's First Chicago issue is priced at a yield spread of about 80 basis points, offering a slight pick-up.

Apart from Citicorp, Sears, Roebuck, the US retailer, is the

only other issuer to have offered credit card-backed bonds in the Eurobond market.

There is now more than \$1bn of credit card-backed paper outstanding in the Eurobond market, including the global SCOT deal. But the US market for credit card-backed securities now tops \$150bn, according to Standard & Poor's, the US rating agency.

Nevertheless, European investors' appetite for asset-backed paper appears to be sharpening. Two Eurobond issues backed by car loans are also expected to emerge shortly.

Ecu60m divestment fund launched

By William Dawkins in Paris

MORE than 300 French companies pulled out of activities that no longer fitted their core businesses last year, according to the managers of what is claimed to be the first fund to specialise in French divestments.

Granville, the London-based investment group, and Edmond de Rothschild Banque, the Paris investment bank, have launched an Ecu60m (\$78m) fund, called the European Strategic Divestment Fund, which will aim to take large stakes in the growing number of French and Belgian businesses being spun off.

They expect the trend to grow fast, as a side-effect of the

hectic expansion in French acquisitions, the value of which reached FF420bn (\$73.6bn) in 1989, 15 times more than five years ago. "Many acquiring companies feel the need to reduce the financial burden of their acquisition programme by disposing of non-core activities," says Granville.

It lists Thomson, the electronic group, Matra in missiles and electronics and Rhône-Poulenc's largest chemicals group, as the leading companies to have been most active recently in spinning off non-essential activities. Others include CGE, the telecommunications and engineering group,

Usinor-Sacilor, the steel giant and Elf-Aquitaine in oil and chemicals.

The fund aims to make two or three investments annually, investing from FF20m to FF100m in stakes from 20 per cent up to full ownership. They will take an active part in management and encourage the companies' own executives to buy equity, both of which are unusual in French development capital. Granville estimates that managers get a chance to take stakes in their own companies in around 2 per cent of French divestments, as against 35 per cent in the US and 25 per cent in Britain.

Quebec to ease investment

By Robert Gibbins in Montreal

QUEBEC plans to ease restrictions on foreign ownership of provincially-incorporated insurance companies.

Quebec insurance firms will be able to invest in commercial companies operating in related fields, allowing part of some companies' portfolios to be free to acquire sole control of commercial and industrial firms generally.

In amendments proposed to the Quebec Insurance Act the

provincial government will raise the general limit on foreign ownership to 30 per cent voting control or more with ministerial approval. The general rule now is a 25 per cent maximum.

It means that Quebec based life companies will get easier access to outside capital to compete nationally and internationally. Quebec-owned general insurers are mostly affiliates of US companies.

Sanwa Trust arm sold to US bank

BANKAMERICA Corp's Bank of America said it had signed a definitive agreement to acquire the corporate trust business of Sanwa Bank California, a unit of Sanwa Bank, the Japanese bank, for an undisclosed sum, Reuters reports.

It said that under an agreement with Sanwa, most of Sanwa's corporate trust accounts would be assumed by Bank of America, which will also service those accounts retained by Sanwa.

MERCURY SELECTED TRUST (SICAV)

14, rue Léon Thyss, L-2636 Luxembourg
R.C. Luxembourg No. B.6317

PAYMENT OF DIVIDEND

Notice is hereby given to Shareholders that, following a Resolution passed at the Annual General Meeting of Shareholders held in Luxembourg on 15th June, 1990, final dividends for the year 1989 of US\$0.33 per share for the Dollar Global Bond Fund, US\$0.70 for the Global Managed Currency Fund, US\$0.50 for the Yen Global Equity Fund, US\$0.50 for the Yen International Equity Fund, US\$0.40 for the Yen Global Bond Fund and DM0.20 for the DM Global Bond Fund have been declared.

These dividends will be paid on the 29th June, 1990 to registered Shareholders of the respective Funds who are on the register at 15th June, 1990.

These dividends will be paid from 29th June, 1990 to Senior Shareholders of the respective Funds against presentation of Coupon No. 6 for the Dollar Global Bond Fund, Coupon No. 5 for the Global Managed Currency Fund, Coupon No. 6 for the Yen Global Equity Fund, Coupon No. 6 for the Yen International Equity Fund, Coupon No. 8 for the Yen Global Bond Fund and Coupon No. 1 for the DM Global Bond Fund at any of the Company's Paying Agents including its Paying Agent in the United Kingdom:

S. G. WARBURG & CO. LTD.
Paying Agent, 2, Finsbury Avenue, LONDON EC2M 2PA

From whom claim forms can be obtained. United Kingdom tax will be deducted from claims in the United Kingdom at the rate of 23 per cent, unless claims are accompanied by an affidavit.

Final dividends will not be paid on the remaining Funds.

18th June, 1990

MERCURY SELECTED TRUST

COMPAGNIE GENERALE D'ELECTRICITE - C.G.E.

Compagnie organisée sous forme de Société Anonyme
Siège social : 1, rue de la Paix, 75001 PARIS
Head Office : 1, rue de la Paix, 75001 PARIS
Registered Head Office : PARIS B 9845128

SECOND NOTICE

The holders of Bonds (hereinafter specified) issued by COMPAGNIE GENERALE D'ELECTRICITE C.G.E. who were called for June 12, 1989, being entitled to vote, are hereby notified of a General Meeting to be held at 1, rue de la Paix - 75001 PARIS (France) on June 25, 1990:

1) at 11 a.m. for the holders of 10% 1980-1991 Bonds (hereinafter referred to as "10% Bonds") of FF 5,000 each, convertible into common shares of C.G.E.

2) at 2.30 p.m. for the holders of 6% 1980-1991 Bonds of FF 500 each, convertible into common shares of C.G.E.

In order to consider the items on the agenda for this meeting, that is:

- Approval of the accounts for the year ended 31st December 1989 and the Board of Directors' report thereon;

- Approval of the proposals for the distribution of dividends and the Board of Directors' report thereon;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

- Election of members of the Board of Directors and the Board of Supervisors;

INTERNATIONAL BusinessWeek

SPECIAL ISSUE

Innovation: The Global Race

Can America Keep Its Big Edge?

Japan and Europe: Back To Basics

The Movers and Shakers In R&D

The World's Most Innovative Companies

Now available at your newsstand!

BusinessWeek International
Headquarter: 14, av. d'Ouchy, CH-1006 Lausanne, Tel. 41-21-617 44 11
UK toll-free number: 0800 289 137

FLASH LIMITED SERIES G

U.S. \$30,000,000

Secured Floating Rate Notes

Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 18th June 1990 to 17th September 1990 (91 days) the notes will carry an interest rate of 8.4625% p.a.

Relevant interest payments will be as follows:

Notes of U.S. \$100,000

U.S. \$2,198.13 per coupon.

THE SANWA BANK LIMITED

Agent Bank

SWEDEN

The Financial Times

proposes to publish this survey on:

3rd July 1990

For a full editorial synopsis and advertisement details, please contact:

Chris Schenck or Gillian King

on 071-875 3000

or write to him at: Number One Southwark Bridge

London SE1 9HL

FINANCIAL TIMES

LONDON & BUSINESS NEWSPAPER

BNP

Banque Nationale de Paris p.l.c.

£25,000,000

Subordinated Floating Rate

Serial Notes 1994

In accordance with the provisions of the Notes, notice is hereby given that the three-month interest period from 14th June 1990 to 14th December 1990 the Rate of Interest on the Notes will be 15% per cent. per annum.

The Interest Amount payable on the relevant interest Payment Date, which will be 14th December 1990, is £377.59 for each Note of £5,000 and £3,775.94 for each Note of £50,000.

Kleinwort Benson Limited

Agent Bank

INTERNATIONAL CAPITAL MARKETS

The Financial Times proposes to publish this survey on:

2nd July 1990

For a full editorial synopsis and advertisement details, please contact:

David Reed

on 071 873 3461

or write to him at:

Number One Southwark Bridge

London SE1 9HL

FINANCIAL TIMES

LONDON & BUSINESS NEWSPAPER

IFT

FINANCIAL TIMES CONFERENCES

TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET

London, 11 & 12 July 1990

This Financial Times conference, the sixth in this important series, will focus on the needs of the corporate user, how the international trend towards deregulation and the development of new services is providing business opportunities and applications.

Speakers include:

Dr Herbert Ungerer
Commission of the European CommunitiesM. René Kinsoen
European Council of Telecommunications Users AssociationsProfessor Michael Beesley CBE
London Business SchoolM. Jean-François Berry
Association Française des Utilisateurs du Téléphone et des TélécommunicationsM. Lionel Fleury
Agence France PresseMr Peter Conchle CBE
British Aerospace (Space Systems) LimitedM. Bruno Lasserre
Ministère des Postes, des Télécommunications et de l'EspaceMr Hermann Neus
IBM GermanyMr Derek Nicholas
International Telecommunications Users GroupMr Alan Horne
European Telecommunications Standards InstituteMr Greg Staple
International Institute of CommunicationsMr Bernard Smedley
Motorola Inc

Arranged in association with Telecom Markets (FinTech) 1

There is a limited amount of exhibition space available at the conference

TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET

☐ Please send me further details.
☐ I am interested in exhibiting at the conference.

UK COMPANY NEWS

Cost cutting is main move behind HoF profit rise

By Maggie Urry

HOUSE OF FRASER, the department store group which owns Harrods, claims it is beating the gloom in British streets, and seeing operating profits rise.

HoF, whose ownership by the Fayed family since 1985 has embroiled the group in long-running controversy, has yet to file accounts at Companies House for its latest financial year.

However, Mr David Simons, finance director, says operating profits in the latest accounting period reached \$75m up from \$71.9m in the same period the previous year. The figures are complicated by a change in the year end to end-January and cover a 39-week accounting period.

Mr Simons said that in the first quarter of the current year operating profits are running over 30 per cent ahead. The group was comfortably meeting key ratios in the covenants set at the time of its debt refinancing, he said.

However, Mr Robb Hampson, managing director, says the profit improvement is coming from margin gains rather than from good sales growth. In the last financial year sales were just under £1bn, and are currently flat or slightly ahead.

Mr Hampson said there was a marked regional difference in trading. He said the Northern stores were showing poor sales, though this was dis-



Mohamed Al Fayed, chairman of House of Fraser Holdings

torted by the delay in the summer sale which had already started by this time last year. Trade in the Midlands was good "as if there was no economic downturn" and he said he believed business in the South had bottomed out.

The group is shifting the mix of its merchandise towards the fashion apparel and accessories side, where gross profit margins are higher, and away from the household goods business which has been more severely affected by high interest rates. Household goods have represented about 45 to 50 per cent of sales.

Mr Hampson said cost cutting had helped operating margins. The single largest saving had come from removing the regional head offices, saving

about £5m in a full year. This had also streamlined the business allowing direct communication between stores and head office.

The group is spending around \$75m on opening three new stores and re-opening two department stores which were burnt down by animal rights activists. The openings will be between August and October and will add about 300,000 sq ft of new space.

Extensions to Harrods, adding 50,000 sq ft, and the closure of small stores in Hove, Sussex, and Milton Keynes, Bedfordshire, means the year ends with a total of around 64m sq ft of sales area in 64 stores in the UK.

House of Fraser, which earlier this week sold its Astral Sports chain to Sears for \$9m, is also contemplating the sale of its four store chain in the Republic of Ireland. An agreement last year to sell Switzers to Ewos, a Belfast property company, fell through and a management buy-out attempt was unable to attract sufficient funds. House of Fraser said it will only sell Switzers as a going concern.

● Lough was given leave in the High Court on Friday to seek a judicial review of the Government's decision not to seek the disqualification of the Fayed family company directors after publication of the Department of Trade and Industry's into House of Fraser Holdings.

Windsor's 51% stake in general insurer

By Nikki Tait

WINDSOR, the Lloyds's broker and financial services group, has acquired a 51 per cent interest in Bishopscourt Financial Holdings, Bishopscourt, a general insurance and financial planning broker, specialises in servicing professional organisations and trade unions.

The deal is being structured on an "earnout" basis. The initial consideration is \$650,000 in cash. A further consideration may then be paid, depending on Bishopscourt's results in the years 1990 to 1993. The maximum deferred consideration will be \$650,000 in loan notes and up to 1.5m new Windsor shares.

The vendors, meanwhile, have warranted that aggregate pre-tax profits, before extraordinary items, in the four years to end-September 1993 will be not less than \$250,000. They are required to repay £1 for every £1 that aggregate profits before tax and extraordinary items fall below this figure.

In the year to end-December 1989, Bishopscourt - which started trading in 1985 - made a loss after tax of £134,000, following a £449,000 deficit in the previous 12 months. Turnover was £1.4m.

However, Windsor says that Bishopscourt completed its systems development programme last year, and that the current year has started well with turnover in the first five months showing a 45 per cent increase on the same period in the previous year.

Windsor, meanwhile, accompanied news of the acquisition with its own interim figures to end-March. These showed a pre-tax profit of £120,000, 31 per cent down on the £175,000 scored in first half of the previous year. Turnover, which includes brokerage and interest receivable, rose from £3.45m to £3.54m.

Earnings per share at the halfway stage were 0.139p (0.258p). As in the previous year, there is no interim dividend.

Ambitious example of financing

Jane Fuller on Labroke's mixed approach to hotel ownership

The opening next March of the Langham Hilton, which has involved the \$85m resurrection of a grand old London building, will provide an ambitious example of Labroke's approach to financing hotels.

Labroke, which also owns betting shops and DIY stores, has rebuilt the 125-year-old Langham at a cost of about £200,000 for each of the 400 or so bedrooms.

Once it is open, it reckons the place will be worth about £140m, on the basis of £350,000 per room. This compares with what is thought to be the present record per room of nearly £200,000 for the smaller Londonderry in Park Lane, sold last year by Trusthouse Forte, although planning permission for an extension was included in the £45m price.

If Labroke follows the pattern being set at its new Hilton International hotel in Barcelona, it will sell 50 per cent of the equity in the Langham and then run it on a long-term management contract that will give it an extra tranche of the profits.

Before Labroke bought the Hilton International hotels chain for \$645m in 1987, it followed the traditional UK pattern of owning and running its hotels. The Hilton purchase brought with it a different philosophy: less than half the 92 hotels were wholly-owned, 14 were part-owned and there were management contracts on 34 others.

This mixed approach to own-



Cyril Stein, chairman of Labroke

ership chimed with the joint venture activity already going on in the property division.

Now selling or taking equity stakes in hotels is seen as an important way to redirect resources into overseas expansion, or as one might put it, "to spread the cake more thinly, but over a wider area."

At present 33 of the 144 hotels are in the UK, but that portion is being reduced. Over the next couple of years, Labroke reckons that about £500m can be raised by selling stakes in the Barcelona and Langham hotels and by a series of other disposals: \$50m for a large parcel of land in Guam, popular destination for Japanese honeymooners, \$75m for selling the London Regents Park Hilton, £60m for some associate hotels mostly in UK

and between £150m and £200m for a few other UK Hiltons. Some of the money may be used to reduce the 59 per cent year-end gearing (net debt of £1.4bn), but as Labroke says it is happy with 50 per cent, most of it should be available for overseas plans.

The potential for continuing to raise money via the equity stake route is clear from the present composition of the portfolio: 82 are wholly-owned, 19 are part-owned and 43 others are run under management contracts. Apart from the question of timing, one inhibiting factor is the loss of part of the profit to the partner; often Labroke retains rather less than 50 per cent.

Financially, the ultimate aim is to make the hotels division, which contributed £168m to operating profit last year, completely self-funding - counting outgoings such as interest charges, tax and dividend payments.

This would mark a departure from the pattern of cash generated by betting and the Texas Homecare chain being funnelled into the hotel division, with property as the other main absorber of funds.

However clever the plans sound, the stock has only just recovered after underperforming the FT-Actuaries All-Share index since the beginning of the year; and the group's present market value of £2.8bn, on Friday's close of 330p, falls below the £3bn-plus that it says the hotels division alone is worth.

Hanover Druce loss as business declines

A LOSS of £2.75m is reported by Hanover Druce, estate agent and property management group, for the year to February 28 compared with pre-tax profits of £2.14m. Turnover showed a marginal fall from £22m to £22.5m.

The final dividend is cut from 3.5p to 0.5p for a total of 2p (5p).

Mr Isidore Redstone, chairman, said that the commercial and hotels and leisure divisions were under similar adverse pressures to those which were affecting the residential market. The residential agencies were significantly affected by the low level of business in the housing market and despite some recovery were still awaiting a fall in interest rates and a return of confidence to enable them to return to profitability.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Castle Cairn Inv. Co. (Ord. & Warrants) (Section: Investment Trusts).

Inver Gordon Distillers (Beers, Wines, Spirits). Ratners 6.75p Conv. Cum. Red. Pref. (Drum & Store). Systems Connections Group (Third Market).

UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times has been printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Today's table concludes the service.

KEY

The companies in which the stakes have been disclosed are shown in bold. For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

Admiral	Prudential Assurance 707 (4.77%)	Chubb	Life Association of Scotland 1,088 (4.88%)
Almaly International Trust	Julia Finance NV 285 (4.10%)	Computer People Group	Julia Finance NV 285 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)
Anglo Irish Bank	Anglo Irish Bank 1,000 (4.10%)	Concorde	Concorde 1,000 (4.10%)

Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)
Bankers Trust	Bankers Trust 1,000 (4.10%)	Bankers Trust	Bankers Trust 1,000 (4.10%)

Bulgin halved to £356,000

AF Bulgin, the manufacturer of electrical and electronic components, suffered a halving of pre-tax profits in the year to January 31.

The taxable result fell to £356,000 (£781,000) and was struck on turnover down at £13.39m (£12.93m) and after exceptional costs of £10,000 (£21,000). After tax of £90,000 (£249,000), earnings per share unit were halved to 0.95p (1.9p).

The directors are proposing that the dividend for the year be maintained at 0.5p. The company said that demand for its products had started to improve.

Bio-Isolates falls into red with £5,000 deficit

BIO-ISOLATES, involved in the design, development and exploitation of whey protein technology and the sale of whey proteins, has fallen into the red in the year to December 31.

However, the company maintained that the results were "gratifying" considering that some production was lost during the fourth quarter while new sections of plant at Le Sueur Isolates were being installed and tested. Losses before tax were

£5,000, against profits of £27,000, though turnover rose to £2.23m (£2.08m).

Interest payable was up at £121,000 (£79,000). Earnings fell to 0.32p (0.56p) per share.

Sales at Le Sueur had increased since commissioning of the new plant and operating costs reduced. The company said that research and development expenditure had risen by more than 50 per cent in 1989, with much of the effort focused on improving current operations.

VARD a.s

(Incorporated in Norway with limited liability: No. 3500735)

Application has been made to the Council of The International Stock Exchange in London for all the A and B shares of Vard a.s to be admitted to the Official List and dealings on The International Stock Exchange are expected to commence on 21st June, 1990.

Vard is the Norwegian parent company of Kloster Cruise Limited, a cruise fleet operator. Vard's other principal activities are Larvik Line, a ferry service between Norway and Denmark, and Finanshuset, an Oslo-based financial services group.

The following table sets out the share capital of Vard a.s as at the date hereof:

	Number of shares	Nominal Value (NOK)
A shares of nominal value NOK 2.50 each	26,780,992 ⁽¹⁾	66,902,480 ⁽¹⁾
B shares of nominal value NOK 2.50 each	5,069,698	12,674,245
	31,850,690	79,576,725

Note:
⁽¹⁾ Including 1,412,500 shares held in treasury.

Listing Particulars relating to Vard a.s are available in the statistical service of Exel Statistical Services Limited. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 20th June, 1990 from the Company Announcements Office, The International Stock Exchange, 46/50 Finsbury Square, London EC2A 1HD, and up to and including 2nd July, 1990 from:

SPONSOR AND BROKER TO THE INTRODUCTION:

Enskilda Securities
Skandinaviska Enskilda Limited
26 Finsbury Square, London EC2A 1DS

This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange. It does not constitute an invitation to anyone to subscribe for or otherwise acquire any shares in Vard a.s.

18th June, 1990

This advertisement is issued in accordance with the regulations of The Stock Exchange. The Council of The Stock Exchange has agreed to admit all the existing issued Ordinary shares of 20p each and the existing issued Warrants in the Company to the Unlisted Securities Market. It is emphasized that no application has been made for these securities to be admitted to listing. It is expected that admission to the Unlisted Securities Market will become effective and that dealings in the Ordinary shares and Warrants will commence today, Monday, 18th June, 1990.

Whitegate Leisure PLC

(Incorporated in England under the Companies Act 1985. Registered Number 3188184)

INTRODUCTION TO THE UNLISTED SECURITIES MARKET

by LAING & CRUICKSHANK

Share Capital

Authorized No. of shares	Issued and fully paid No. of shares
217,500,000	144,974,542
£3,000	25,000

In addition 6,997,400 Warrants to subscribe for Ordinary shares and 14,403,556 'A' Warrants to subscribe for Ordinary shares are in issue. Whitegate Leisure PLC is a diversified property based leisure group whose earnings are principally derived from mass market leisure operations and care homes for the elderly.

Full particulars of the Company are available through the Exel Unlisted Securities Market Service. Copies of the particulars may be obtained during normal business hours (excluding Saturdays and Public Holidays) up to and including 20th June, 1990, from The Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1HD, and up to and including 2nd July, 1990 from:

Whitegate Leisure PLC 39 King Street London EC2V 2DQ.	Laing & Cruickshank Broadwalk House 5 Appold Street London EC2A 2DA.
--	--

18th June, 1990

GLOBE INVESTMENT TRUST PLC

The offer from BRITISH COAL PENSION FUNDS

0800 666 602
FREEPHONE GLOBELINE

The Directors of Globe Investment Trust PLC are the persons responsible for the information contained in this advertisement. The Directors confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Globe Investment Trust PLC accept responsibility accordingly.

£5,500,000 HMC MORTGAGE ASSETS 102 PLC

Mortgage Backed Floating Rate Notes due March 2021
For the Interest Period from June 14, 1990 to September 14, 1990 the Note Rate has been determined at 15.8375% per annum. The interest payable on the relevant interest payment date, September 14, 1990 will be £3,981.52 per £100,000 nominal amount.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
June 18, 1990

FINANCIAL TIMES STOCK INDICES											
	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5
Government Secs.	79.76	79.95	79.03	78.80	78.45	78.76	78.40	78.13	77.43	77.43	77.43
Fixed Interest	88.26	88.20	87.87	87.61	87.33	87.55	87.30	87.03	86.76	86.50	86.25
Ordinary	1925.9	1928.6	1933.2	1901.0	1877.9	1892.7	1868.3	1853.4	1838.5	1823.6	1808.7
Gold Mines	167.9	168.5	179.9	184.5	187.5	185.1	182.5	180.0	177.5	175.0	172.5
FT-Act All Share	1178.39	1182.61	1183.41	1168.08	1158.15	1166.01	1155.83	1145.16	1134.49	1123.82	1113.15
FT-SE 100	2392.3	2403.0	2405.4	2370.7	2348.8	2366.6	2343.7	2313.4	2283.7	2254.0	2224.3

£135,000,000

the Leeds

LEEDS PERMANENT BUILDING SOCIETY

Leeds Permanent Building Society

Floating Rate Notes Due 1998

Interest Rate	15 1/4% per annum
Interest Period	14th June 1990 14th September 1990
Interest Amount due 14th September 1990 per £10,000 Note	£379.66

Credit Suisse First Boston Limited
Agent Bank

£200,000,000
MFC Finance No.1 PLC
Mortgage Backed Floating Rate Notes Due October 2023
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-

Payment Date	Rate %	Payment Date	Rate %
Semi 1 14.00% July 90	15.25	Semi 2 14.00% July 90	15.25
Semi 3 14.00% July 90	15.25	Semi 4 14.00% July 90	15.25
Semi 5 14.00% July 90	15.25	Semi 6 14.00% July 90	15.25

By: Citicorp, N.A. (CitiSec Dept.)
June 18, 1990

IG INDEX
9-11 GROSVENOR GARDENS, LONDON SW1W 0BB
Tel: 071-828 7233 AFB member

FTSE 100	June 2408/2418 -12	WALL STREET	June 2931/2943 -5
Sept. 2472/2482 -12	Sept. 2952/2964 -8		

5pm Prices. Change from previous 9pm close

DOLLAR
Where Next?
Call for our current views

CAL Futures Ltd
Windsor House
50 Victoria Street
London SW1H 0NW
Tel: 071-799 2233
Fax: 071-799 1321

WORLD STOCK MARKETS

[illegible]

INDICES

NEW YORK

DOW JONES

June 15

June 14

June 13

June 12

1979

HIGH

LOW

Stock compilation

HIGH

LOW

Aluminum

215.00

218.22

222.46

203.42

218.54

204.32

219.19

212.32

Bank Stocks

91.95

91.94

91.92

91.88

91.94

91.88

91.94

91.88

Chemicals

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Electric

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Food

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Health

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

High Tech

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Industrial

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Insurance

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Media

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Oil

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Pharmaceuticals

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Real Estate

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Services

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Transportation

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Utilities

211.71

213.09

212.97

213.94

213.22

212.01

213.22

212.01

Wool

182.25

185.04

182.16

182.76

182.77

181.81

182.01

181.32

Yield

211.71

21

Other's High 2947.77

Other's Low 2902.72

June 2902.72

June 2902.72

STANDARD AND POOR'S

Composite 1

362.81

362.41

364.04

364.25

367.49

322.98

367.40

4.40

Industrials

425.81

424.51

426.27

427.42

428.34

371.52

428.34

3.62

Financial

29.90

29.94

30.43

30.25

31.87

26.59

32.24

5.64

NYSE Composite

137.06

137.08

137.06

137.06

137.06

137.06

137.06

137.06

Amex Mid. Value

364.03

364.30

365.04

364.31

365.45

342.64

365.45

2.81

NASDAQ Composite

467.50

467.10

468.86

466.58

468.86

416.72

468.86

5.14

June 15

June 14

June 13

June 12

1980

HIGH

LOW

U.S. Industrial Div. Yield

4.11

4.01

3.99

3.92

4.01

3.82

4.01

3.82

S & P Industrial Div. Yield

2.90

2.91

2.93

2.94

2.93

2.84

2.93

2.84

S & P Ind. P/E Ratio

17.07

17.01

17.01

16.99

17.01

16.99

17.01

16.99

NEW YORK ACTIVE STOCKS

Trading Activity

Volume

Millions

June 15

June 14

June 13

June 12

Friday

Stocks traded

Closing price

Change on day

1979

1980

1979

1980

Aluminum

3,014,480

47%

+

1

New York

225,130

135,770

138,610

138,610

Gen Electric

2,700,280

78%

+

1

INDUSTRIAL

10,111

12,149

12,149

12,149

IBM

1,617,170

63%

+

1

INDUSTRIAL

40

152,132

163,547

163,547

Johnson & Johnson

2,431,880

6%

+

1

Health

1,993

1,964

1,992

1,992

McCormack

2,399,700

29%

+

1

Food

318

37

54

54

Oil

2,199,700

29%

+

1

Oil

334

907

907

907

Pharmaceuticals

2,323,680

46%

+

1

Pharmaceuticals

548

585

585

585

Real Estate

2,199,700

29%

+

1

Real Estate

318

37

54

54

Services

2,199,700

29%

+

1

Services

318

37

54

54

Transportation

2,199,700

29%

+

1

Transportation

318

37

54

54

Utilities

2,199,700

29%

+

1

Utilities

318

37

54

54

Wool

2,199,700

29%

+

1

Wool

318

37

54

54

Yield

2,199,700

29%

+

1

Yield

318

37

54

54

CANADA

TORONTO

June 15

June 14

June 13

June 12

1980

HIGH

LOW

Aluminum & Minerals

3241.70

3229.20

3250.70

3241.40

3453.05

3410

3453.05

3410

Composite

3517.10

3571.11

3625.71

3607.70

4009.47

3711

4009.47

3711

Montreal

100.41

100.94

101.94

101.75

106.90

100.94

106.90

100.94

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

Base values of all indices are 100 except NYSE All Common - 500; Standard and Poor's - 100; S&P 500 - 100; Toronto Composite and Metals - 1000; Toronto Indices based 1975 and Montreal Portfolio 4711

Unavailable - 1979

Unavailable - 1979

Unavailable - 1979

TOKYO - Most Active Stocks
Friday, June 15, 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Oil	18.0m	1,430	+10	Nippon Steel	8.2m	800	-2
Yokohama Specie	13.8m	1,070	0	Sharp	3.1m	1,850	-20
DAIICHI	10.7m	885	+10	Citizen Watch	5.9m	1,150	0
Daishin Paper	7.9m	3,210	+400	Yamaha	4.9m	1,110	+10
Mitsui Bussan	7.3m	1,550	+30	Sumitomo	4.9m	1,510	+20

No FT? No problem in Japan

Keeping up with the news when you travel to the Far East used to be something of a challenge. The world seldom stands still. These days, in fact, just a few hours can be enough to change history for ever.

Happily for FT readers, staying in touch will soon cease to be a problem in Japan.

Because from mid-year, when you

travel in Japan the FT goes with you — faxed overnight by satellite direct from London, and printed locally for the start of the working day. Ask for your copy at the hotel or on the news stands, in Tokyo or in other major Japanese cities.

If you're a resident, we'll hand-deliver the FT to your office in central Tokyo, first thing every day.

call Tokyo (03) 295 1234 now

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

See the world in a new light.

For an illuminating view of what's going on—and why—in international business, finance and politics, you've come to the right place. *The Financial Times*. *The FT* provides eye-opening coverage of events that often escape the notice of other, less turned-on papers. That's to be expected; since 1888 the *FT* has been lighting the way for people who know that knowledge is power. If you're an occasional reader, make the switch—order your personal subscription today.

FINANCIAL TIMES
LONDON • FRANKFURT • NEW YORK • PARIS

14 East 60th Street, New York, NY 10022
1-800-344-1144

Dr. J. H. H. H.

● For Current Unit Trust Prices on any telephone ring direct-0835 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Item Name	Unit Charge	Unit Price	Std Price	Unit Price
Drown Shiping & Co Ltd - Contd.				
Alvex Amm-iron	6	64.53	64.53	67.79
Brown 6	6	118.4	118.4	127.4
McAlister	6	65.31	65.31	68.26
Shimley Cos Acc	6	243.4	243.4	254.0

GUIDE TO UNIT TRUST PRICING

● For Current Unit Trust Prices on any telephone ring direct-0838 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Indistinct

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Green Atlantic	0 17 03 58	173.58	173.59	-47268
French Franc	0 17 03 58	55.231	55.232	-47269
Sanku Franc	0 17 03 58	51.75.20	51.75.20	-47270
Japanese Yen	0 17 03 58	51.75.20	51.75.20	-47270

[illegible]

RANKS, HP & LEASING

BUILDING, TIMBER, ROADS

ELECTRICALS – Contd.

ENGINEERING – Cont

INDUSTRIALS (Miscel.) - Contd.

Hire Purchase, Leasing, etc.

36 21 Satellite Speaker	143	1.2	1.6	18.9	October
6 57 Thayer Barden 10p	33		10.1	9.4	June

Northamper Sp.....	105	3.0	2.5	14.8
th Telecom II.....	£174	0.7	2.0	6.6
tronics 21ap.....	18			8.85

ees (John J) 10p...	73	3.6	27.12
ow (Wm.) 20p....	321	2.7	30.4

217.3	Grampian Mts...	173	6 1	3 3	4 3	Jun N
758.4	Granada...	254	-8 6	6 5	12 2	Apr O
			-1 5	10 2	27 12	Jan J

753	3 801 West Industrial St	15	14.9	Jan 02
754	3 501 West 10th St	15	14.9	Jan 02

BEERS, WINES & SPIRITS

12.8	Alan Paul Sp.....	130	-0.8	2.8	30.4	Jan S
140.6	Alexson LDp.....	493	10.0	3.7	11.12	Ang F
17	Walter Day 2 1/2 h	49 1/2	-2.0	4.0	9.4	Jun N

Phco Hlps. 20p...	249	6.4	3.2	26.2
Do. 'A' 20p....	289	8.3	3.8	26.2
Blomco 30p...	88		7.6	14.5

Park Food Inc.....	120	-0.8	3.4	26.3
Pertina Foods.....	120	-1.2	2.2	14.5
Parmesan 12% p..	30			

98	6.81M	144	-7.1	6.2	9.4	Oct M
94	10.34M	247M	2.1	5.6	11.6	Feb. J
77	11.81M					

704	Williams J...	91	21	29	11.1	May
153	Wills Group	91	17	-	11.4	May
83	Wills Group	91	12	21	11.12	Sept Feb

BUILDING, TIMBER, ROAD

2.75	Exes Furniture Sp.	120	1.6	7.1295	Jan J.
81.0	Etam 10p.....	120	2.6	5.184	Mary

IGI 1p.....	1.00	and persons	8.97 12
2-Telecomputing 10p	2.00	and vol. 1-12	20.6

Waldorf Astoria Hotels Corp. 2p. 7	67	-2.9	-	-
Waldorf Astoria Hotels 10p. 7	1.8 1/2	4.2	3.9	29.
Waldorf Astoria Hotels 10p. 7	4.9		3.9	1.6

257.1	Johnson Matthew E.	258	-1.5	4.3	11.2	7.0
31.7	Johnson Corp. 10p.	304	2.0	5.7	14.5	Dec.
74	Johnson CT 10p.	79		10.3	12.3	Oct.

92	Orthorian Group	186	3.2	3.1	28.4	Dec
93	86 5 Hogg Group	179	0.6	3.3	30.4	Jul
94	100 10 1/2 Hogg Group	417	1.0	3.1	26.3	June

22.5	How Group 10p....	57	.....	8.4	30.4	Nov
6.78	Howard Mids. 10p..	27	.....	7.4	26.2	Oct
		188	.....	5.6	30.4	Dec

2930

0.3	Carlton Eng. 10p...	157	-1.3	6.23
0.5	Glywedd Int...	274 1/2	4 1/2	5.72

4.3 Black Arrow 20p...	118	27.1
51.8 Bird Toys 10p...	97	9.3

1844	176.5	Grain	76	3.2	26.2	A
1854	42.7	Porter Climburn Sp.	37	2.8	16.2	D
	5.54	Porth Group Sp.				

3694	18 Dpt. Blk. Rmbs 100	137	-	4.3	-	Aug P
4150	66.6 Midsummer Lnts 100	122	-	4.6	29.3	Jan J
5084	9.92 Midsumm Hides 100	85	-	-	-	-

... ..

Dr. J. H. H. H.

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, Inc VAT

MINES – Contd

Stock	Price	Week % change	Yld Gr's	La m
Miscellaneous				
King 90.. y	135		-	-
nts. . . . y	60		-	-

[illegible][illegible]

	1981	1982	1983	1984	1985
Dic Lats 1st	50	-	-	-	-
S 5p	51	29.5	-	-	-
Bldgs Sp.	13	-	-	-	-
Lancr 30p	24	2.1	1.4	1.1	-
ts.	8	-	-	-	-
.....	6	-	-	-	-

NOTES

The following classifications are indicated:
Alpha, Beta, Gamma
As based on middle prices, are based on middle prices, are based on middle prices, are based on middle prices,
and allow for value of debt

Asset Values (NAV) are shown along with the price
Pm - to the current price
assumes prior charges at par
exercised if dilution

reduced, passed or deferred
on non-listed; replication
listed UK listed; dealings

I listed on Stock Exchange
to same degree of regulation
ally listed.
of suspension
able
for conversion of shares in
or ranking only for restricted

France, Fr. French Francs 5
Treasury Bill Rate stays unchanged
100% Redemption yield. 1 Flat
Minimum tender price

ADDITIONAL & IRISH		
Y	636	
Y	93	3.6
Y	1300	
ADDITIONAL & IRISH		
Y	1904	
Y	194	
Y	1112	
Y	201	-2.4

Carroll (P.J.)
Hall (R. & H.)
Hollon Ridge
IRC
United Drug.

3-month call rates

40	STC
7	Seam
6	SNAI, Bercha
62	TI
48	TSB
37	Tesco
34	Thorn EMI

21	Trust Houses.
24	T&N
46	Unilever .. .
47	Vickers .. .
23	Wellcome. ..
25	

Bril Land.....
Control Sea
Land Security

MEPC
Mount Pleasant

20	Avia Petroleum
23	Brit Petroleum
27	Burmah Oil
27	Coaroy Petroleum
34	Gaelic Res...
25	Premier
25	...

13
14
24
30
52
39

Loans.
RTZ.

is available to every Company
throughout the United Kingdom for
anonym for each security.

MINES

... a Macallan

Macallan. The

MINES

a Macallan

1. *Journal of the American Medical Association*, 2000; 284: 1039-1044.

The Macallan. The Malt.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 36

Dr. J. H. H. H.

4pm prices June 15

BUSINESS
SOFTWARE

A selection of software packages
to suit your business needs appears
every Saturday in
the WEEKEND FT.

Order your copy today.

The Business Column

The hunt is on for executive engineers

SOMETHING is stirring in the world of engineering when senior engineers can claim a six figure salary. In January Mr Jim Ranger, a director of recruitment specialists MSL International and one of the most experienced head hunters for engineering executives, bagged his first engineering director for a pay package of more than £100,000. Since then several more have been recruited to board positions.

Longstanding shortages of engineers at all levels of skill are only part of the explanation. According to Mr Ranger the most important factor is a structural shift in demand. After years of bemoaning that they were overlooked and undervalued senior engineers are becoming more important in manufacturing companies. Their rising status reflects fundamental changes in how manufacturers sharpen their competitive edge.

A decade ago most engineers would have reported to a director of manufacturing. The engineer's task was to plan projects such as the installation of an assembly line or the construction of a new plant designed to operate with scarcely any modification for up to 15 years.

Changing culture

They worked to long time-scales on intermittent big projects. They were mainly concerned with plant and machinery rather than the products. Once the plant or the assembly line was installed the manufacturing director took over to pump out volume products at lowest possible cost.

Thereafter the engineer became a man with oil rigs planning plant maintenance. This contributed to the culture in which engineers worked. Mr Ranger says: "Often the philosophy was 'You get off my patch and I will keep off yours.' Engineers were proud of their beilin image. They wanted to be separate. They doubted whether other departments could or needed to understand what they did."

But the traditional relationships are beginning to change, according to Mr Ranger. The productivity of engineering departments, the speed with which they come up with solutions to manufacturing problems or develop new products is becoming more important as companies strive to gain a competitive edge. To achieve this the new model engineers have to talk to their marketing and design departments. They have to match technical skills with communication skills to explain which product or process changes are possible. The traditional, sequestered engineer has to give way to those who enjoy working in teams with technical illiterates. They have to become interested in how engineering contributes to the business.

Mainstream move

Mr Ranger draws an analogy with the relationship between sales and marketing. Sales departments drive products out into the market, but much of the strategic thinking about which products to make is done by the marketing department. Marketing is generally judged to lead sales. In the same way engineering departments are starting to lead manufacturing departments. Whereas manufacturing is about pumping out products, engineering is increasingly the source of added value through product development.

This does not mean there is no future for highly technical engineers. Indeed engineering is becoming more complex with the convergence of mechanics, electronics, and software and the development of new materials. But engineering must move into the mainstream of management.

Unfortunately, it is very difficult to find engineers with broader business skills. Recruiting engineers was already difficult. Finding engineers with a knowledge and interest in finance, marketing and design is harder still.

This structural shortfall will not be made good by head hunting and poaching. A much wider change in the training and culture of engineers is required: university and polytechnic engineering courses will have to be broadened, and companies will have to adapt their internal training courses and increasingly consider breeding their own non-graduate engineers.

Charles Leadbeater

Mr Takashi Ishihara, the 78-year-old chairman of Nissan Motor, relishes an argument. Sensing a chance to make a provocative point, his face lights up as he leans forward, brandishing a sheaf of papers.

The root cause of the US-Japan trade tensions is that Japan makes goods the world wants and the US does not, he says. "The Japanese market is big and prosperous but what's happening is that the US can't enter the market because it doesn't have goods to export to Japan except satellites and aircraft and one or two other things."

Japanese are not exporting to the US because our goods are cheap but because these are goods which US consumers want to buy."

Even today, such bluntness is rare among top Japanese businessmen. In public, if not in private, they tend to look on circumlocution as an art form. Mr Ishihara prefers to speak his mind, and once told an aide: "It's no use waiting until I'm dead to say things."

Mr Ishihara has a gift for voicing opinions which strike a chord with the average Japanese. People stop to listen when he appears on television and seek out newspaper articles which quote him.

At the height of the Recruit bribery scandal - in which members of the Government were accused of accepting cut-price shares in return for granting political favours - Mr Ishihara openly urged Mr Noboru Takeshita, the Prime Minister, to resign. For good measure he also heaped blame on the business community, saying companies condoned practices which were a "breeding ground" for corruption.

Each year, he attacked the Japanese Government for failing to criticise China after the bloody suppression of the Tiananmen Square students' revolt. He thought Japan should be as concerned about the human rights of the Chinese as about its own political and economic interests. This year, he has waded into a fierce argument over consumers' rights.

Mr Akio Morita, the founder of Sony, is a different type of businessman. He owns a baseball team, and a handful of other corporate leaders are equally forthright. But they are mostly self-made men, the billionaire owners of their businesses.

Mr Ishihara is a Nissan employee since 1937, is different. He belongs to the small group of Japanese company employees who, by dint of their distinguished corporate records, become public figures in their own right. Mr Ishihara was Nissan president for eight years and has been chairman

MONDAY INTERVIEW

A radical in the driving seat

Takashi Ishihara, chairman of Nissan, speaks to Stefan Wagstyl

for the past five. He was for six years chairman of the Japan Automobile Manufacturers Association. For the past five years he has also been chairman of the Japan Association of Corporate Executives, an employers' federation.

Unlike some, Mr Ishihara has survived this long process of assimilation into the highest levels of the Japanese establishment with his individuality intact. He has interests other than work and golf. He loves deep-sea fishing. He promotes table tennis and international exchanges for young people. And he is not afraid of saying things which make some of the members of the establishment

PERSONAL FILE

1912 Born in Tokyo.
1937 Graduated from the law department of Tohoku University and joined Nissan Motor.
1948 General manager of the planning department, responsible for company's post-war reconstruction.
1960-65 President of US subsidiary.
1966-77 Senior appointments in Tokyo.
1977-85 President of Nissan Motor.
1985 Chairman.

Feel hot under the collar

Above all Mr Ishihara cannot abide the regulations and restrictions which control Japanese economic life. He said in a speech earlier this year: "Japanese governments and business should stop depending on each other. We have to introduce fair and open competition. It might be temporarily tough for some companies, but I believe it will promote further growth of the

economy." Developing the argument in an interview, Mr Ishihara says it is Japanese consumers who are made to suffer.

"After the Second World War the Japanese Government put strong emphasis on a policy of exporting. Because of the trade surplus the Japanese Government changed its policy to expand consumption."

"But Japanese consumers are still in the same condition. They're still sacrificed to government policy," says Mr Ishihara, jabbing his finger into the papers in his lap. He thinks that government policy has not gone far enough in promoting choice.

What Japan needs is complete deregulation, he says, with the deregulation of food imports at the top of the agenda, rice included. "If all regulations are taken off, it will really free the market, and consumers can choose what they would like."

Mr Ishihara recognises that powerful vested interests are opposed to deregulation, including farmers and small shopkeepers. For the average Japanese to have more influence, political reform is essential.

Japan has been ruled by one party and its supporters for 40 years, he says. The disadvantage is stability. The disadvantage is the frequency of scandals and a political world in which things are vague even the party's selection of a prime minister. It is time, says Mr Ishihara, to create a true two-party system in Japan.

Mr Ishihara is a great admirer of strong leadership. His hero is Mr Yoshioka Aikawa, Nissan's founder, who before the war created a manufacturing combine in only 10 years and successfully prevented it from falling under the control of banks as happened to almost every other pre-war Japanese conglomerate. Like many Japanese, Mr Ishihara



'We have to introduce fair and open competition'

hara also idolises Mrs Thatcher. Sending the fleet to retake the Falklands took great courage, Japan needs such a leader, he says.

But there are limits to the extent of Mr Ishihara's radicalism. He made his mark so effectively in the Recruit affair that leaders of the ruling Liberal Democratic Party accused him of disloyalty. They blamed him for being partly responsible for the party losing control of the upper house of the Diet in last summer's election. Mr Ishihara offered no apologies. But by the time of February's general election to the more

important lower house Mr Ishihara was backing the ruling party once more. He said it was doubtful if the opposition could provide "proper leaders".

As for foreign economic relations, Mr Ishihara also thinks governments interfere too much. Many disputes could be avoided if companies were left to sort out the difficulties affecting individual industries. He wrote in a recent column in a Japanese newspaper: "The US raises any matter at government level, even if a single company complains about Japan. This just makes things worse. When companies are

left to sort things out industries adjust very effectively."

Mr Ishihara speaks from experience. He was the first president of Nissan's US subsidiary in the early 1960s and later headed the group's entire export and foreign operations.

He masterminded Nissan's decisions to invest in factories in the US and the UK. Japanese car makers, he says, recognise they cannot increase exports to the US. He supports the use of voluntary restraints which have been in place for many years on exports to both the US and the EC.

Mr Ishihara says the car makers' goal is to cut exports of finished goods to the US bit by bit by increasing local production. The overall Japanese market share, including exports and local production, should stay unchanged at 25 per cent. This policy will have great impact because of the importance of the auto industry in the whole of US-Japanese trade, he says.

They may see things differently in Detroit, where car makers have been at the receiving end of Japanese-style adjustment. However, Mr Ishihara is surely correct to say government intervention cannot correct the basic causes of the imbalance between the US and Japan.

Nevertheless, even with governments interfering, Mr Ishihara believes Japan's economic relations with the US and with Europe will continue to thrive. There will always be problems, he says, but they will be resolved by talks. Some politicians may threaten to take protectionist steps but in the end they have to take account of the wishes of consumers.

Asked about the changes in East-West relations over the past year, Mr Ishihara politely acknowledged that there could be opportunities for Japanese companies in eastern Europe and the Soviet Union. But he is not concerned that European groups have stolen a march. He thinks the prospects are far brighter in east Asia.

Nissan, like other Japanese car manufacturers, has already established local assembly plants in east Asia and is now developing a network of local parts suppliers. "Over the next 10 years, Nissan will lead ahead. The newly industrialised economies (NIEs) have already arrived. This market will be much greater than that of eastern European countries. The population of Asian and the NIEs is 370m, much greater than that of the European Community and of Efta put together," says Mr Ishihara.

The development of east Asia will increase the competitive pressures on Japan. But Japan should not react by putting up barriers, says Mr Ishihara, relishing the opportunity to make another point which he knows will annoy at least some members of the Japanese business community.

"If Japanese companies cannot compete with companies in the NIEs I think we should stop producing such products and put these people into the production of more high technology, more value-added products."

Pyrotechnical answers to simple questions

If a responsible person or public body makes a different charge for public services as between a husband and wife of the same age, there ought to be a simple answer to the question whether that constitutes unlawful gender discrimination, given that discrimination between men and women is built into the state pension system.

The fact that the country's most senior judges fundamentally disagreed in their answer to the question - whether a local authority was acting unlawfully in charging a 61 year old man 75p for entry to a municipal swimming pool whereas his wife, also 61, went in free - must seem astonishing to the layman.

The popular conclusion might be that either the UK parliament had been hopelessly inept in framing the Sex Discrimination Act 1975, or alternatively that it was so badly drafted that it presented the best legal brains with irresolvable ambiguities.

Judicial confusion appeared even worse in James v Eastleigh Borough Council, since three judges in the Court of Appeal were joined by the two dissenters in the House of Lords. Thus, on a count of judicial heads, five judges were defeated by three Law Lords.

The case revolved around the principal section in the 1975 Act. It provides, as applied to men, that "A person discriminates against a man in any circumstances relevant to the purposes of any provision of this Act if, (a) on the ground of his sex he treats him less favourably than he treats or would treat a woman." The crucial words are "on the grounds of his sex." What do they mean?

A simplistic meaning was provided by the man's advocate, Mr Anthony Lester QC. Since he was the architect of the 1975 legislation when he was special adviser to the Home Secretary, he might be presumed to know what government meant. Indeed his interpretation to the Law Lords, that the phrase meant "due to his sex", and did not involve any consideration of any reason which might have led the local authority to treat Mr James



JUSTINIAN

less favourably than Mrs James, found favour with the majority of the Law Lords.

The alternative meaning of the phrase involved consideration of the reason why the local authority had decided to treat Mr James unfavourably. Such an approach is preferable, because it accords with the plain meaning of the words and the syntax.

The argument is straightforward. The discriminator does something to the discriminated. He treats him in a certain way - less favourably than he treats the man's wife. He treats on a certain ground

It would be helpful if the law could be established other than as the result of a profound split in judicial reasoning

- namely, on the ground of his sex. There is thus a link between the discriminator and the discriminated. This imports a subjective element into the analysis and raises the question: was the person's sex a consideration in the local authority's decision?

Sir Nicholas Brown-Wilkinson in the Court of Appeal had noted that the local authority had adopted a policy of giving free swimming to those of pensionable age, and not of discriminating against men. It was to give benefits to those whose financial resources would be likely to be reduced by the fact of retirement. This reasoning was countered by Lord Bridge of Harwich, one of the majority in the House of Lords, who said that it failed to

recognise that the statutory pensionable age was itself a criterion directly discriminating between men and women. That much, of course, had to be conceded. But Lord Bridge went on to describe the reasoning of the minority as fallacious because he reckoned that the use of the expression "pensionable age" was nothing more than a convenient label to refer to a discrimination of the sexes. If, and only if, one ignored the subjective element in the construction of the phrase, that would no doubt be right.

All this is good clean fun in the judicial pyrotechnics of statutory construction. But it is hardly a sensible way of resolving questions which occur daily in the lives of the citizenry. If the country persists in a discrimination in pension rights of men and women it is hard to say that a local authority may not latch on to it for the purposes of determining a sensible social policy in respect of municipal services. The majority of the Law Lords, however, has ruled that the local authority's social policy is irrelevant to the question under the Sex Discrimination Act. So be it. But it would be helpful if the law could be established other than as the result of a profound split in judicial reasoning.

The majority in the House of Lords has won the day only because the function of the final court in the land cannot be equated with that of the Court of Appeal.

The lesson to be learned is that, while parliament in 1975 might reasonably not have anticipated the interplay of gender discrimination generally and differential pension rights, it should at least have legislated with sufficient clarity to avoid extensive and expensive litigation that ends up in such an unsatisfactory way. The English system of legislating with specificity of language has less to commend it than the European approach of making general provisions in their law, to which the judges can readily provide sensible answers.

Louis Blom-Cooper QC

M&A clients who require totally objective advice, research free from conflict of interest, in-depth international capabilities, a complete range of services, and compensation based on added value, can rely on one firm.

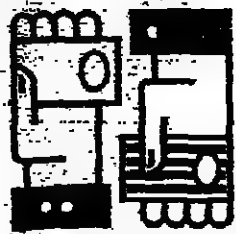
JPMorgan

JP Morgan

CORPORATE FINANCE

SECTION III

Monday June 18 1990



The wave of acquisition activity in the US and the UK peaked in the last 18 months of the 1980s,

leaving the corporate finance industry in a state of flux. Nikki Tait analyses reasons for the present lull and examines prospects for new opportunities in Europe

Time to pick up the pieces

ANCIENT civilisations used to believe that an earthquake signalled political change. In the world of corporate finance, it would be tempting to argue that simple chronology - the ending of a decade - has fulfilled a similar function.

The case is easily made. Acquisition activity in both the main "Anglo-Saxon" markets rose exponentially during most of the 1980s. This trend was accompanied by the development of increasingly ingenious financing instruments. It also created vast armies of intermediaries, keen to feed - and if necessary, stimulate - this hunger for corporate assets.

In the UK and the US, the wave peaked in the last 18 months of the decade. In the US, the zenith came with a record-breaking \$25bn offer by KKR, the leveraged buy-out specialists, for RJR Nabisco, signed in late 1988. Last year, activity merely matched 1988 levels, with some \$260bn-worth of business completed, according to Exel Financial figures, representing 2,800 deals.

The turning point arrived last autumn - although warning signs had been flashing for some time before that. First, there were mounting problems with some of the most aggressive transactions struck in the late 1980s. Top of the list was the Canadian retailer, Campeau Corporation, which had acquired Allied and Federated Stores in two quick-fire "junk"-style deals - and which filed for Chapter 11 bankruptcy protection in January.

In November, Wall Street saw the abortive leveraged bid for UAL, United Airlines' parent. That debacle signalled the growing wariness among senior debt providers towards leveraged deals. The collapse of Drexel Burnham Lambert, the investment bank which had facilitated many of the most ambitious transactions, followed three months later.

So when figures for the value of announced bids in the US during the first quarter of 1990 were compiled, the result was predictable. Activity, year-on-year, had fallen by around 30 per cent.

Superficially at least, the pattern in the UK has been similar. A year ago, two deals - the \$2bn fight over Gateway, the food retailer, and Sir James Goldsmith's £13.5bn assault on BAT Industries - appeared to be pointing the way to greater use of debt-funding generally, as well as the introduction of

US-type financial instruments. In August Hanson acquired Consolidated Gold Fields for \$2.5bn, the largest completed deal in the UK. This, plus five other "mega-transactions" took the value of announced bids in 1989 to an all-time high of \$85.2bn.

Since the start of 1990, the UK bid scene has also been noticeably quieter, although the value of concluded deals in the traditionally dull first quarter was still slightly ahead of 1989 levels. Leveraged transactions and the "mega-deals", in particular, have virtually disappeared. On a more anecdotal note, most domestic bankers note grimly that the "fall-off" rate - those deals which never make it to the marketplace - is rising.

These depressed levels of activity coincided with a fundamental challenge from fast-changing European economies to many "Anglo-Saxon" concepts. The notion of shareholder rights, for example, is not embedded in Continental culture; nor is the drive for 100 per cent ownership. Instead, complex structures of alliances and relationships rule.

They are also compounded in the US by a backlash of protectionist measures, particularly through a variety of new State laws. Pennsylvania, for example, has severely restricted the voting powers of a corporate raider holding more than 20 per cent of a target company, and also forces the "disgorgement" of profits on the sale of holdings. Moves of this nature lead one senior London-based banker to argue that the UK is becoming the only haven for unfettered shareholders' rights.

That may be pushing the point. But it would not be difficult to reach the conclusion that corporate finance in the 1990s will be very different from the 1980s.

By contrast, many investment bankers claim there are still ample pools of equity and mezzanine finance available for leveraged transactions. It is also true that even debt funding has not dried up altogether; rather, the bankers appear to be taking an extremely conservative stance, seeking cast-iron security and with a strong preference for backing "blue-chip" acquirers.

Interest rates also have some bearing on the matter. In a more conservative climate, cash flow requirements become tougher and, given the relatively high interest rate environment, the number of "doable" deals declines.

In the UK, this shift in banks' lending policy has had a significant, but far from catastrophic, effect on activity. Highly-leveraged deals may have been on the rise in the late 1980s, but they were never the core constituent of the domestic acquisitions scene.

Moreover, there have been some recent cases of would-be acquirers tapping the heavily-liquid institutional coffers, via rights issues and other fundraising moves. This, admittedly, is a tentative development and stockmarket volatility is still a barrier to a revival of the traditional underwriting system. But it is, at least, a move in the right direction.

In the US, where the leveraged culture was more advanced, the impact has been much more severe. To some extent, the "private placement" market has attempted to plug the funding gap, but most players concede this is a relatively costly and cumbersome alternative.

The "European" impetus meanwhile, is still in its embryonic stages. The surge in European cross-border activity has been marked but it is worth remembering that it starts from a very low base. Moreover, the relatively open UK market continues to attract much of the attention: according to figures compiled by Translink European Deal Review, more than half the 1988 cross-border acquisition spend - some \$15.5bn in round figures - went on UK target companies. West Germany fell into second place, attracting only one quarter of that sum.

Few professionals dispute that some interchange of the Continental and Anglo-Saxon financial cultures is already under way - and that the trend may have considerably

further to go. The thrust of the takeover harmonisation initiatives emanating from Brussels has been broadly "Anglo-Saxon". But, in the real world of deal-making, some European concepts have seeped across the Channel - the cross-holding structure between Guinness and Louis Vuitton Moet Hennessy being a recent example - just as some Continental players have proved adept at playing the Anglo-Saxon game. All this would seem to point to a blending of styles, rather than dominance by either.

One way in which the 1990s will differ from the 1980s is incontestable; someone will have to pick up the pieces. In New York and London, the sight of deals coming unstitched, corporate restructurings and complex refinancings has become commonplace.

That poses some awkward questions about intermediaries' responsibilities - whether they are merely the tools of management or play a real part in shaping corporate destinies. In the late 1980s, there was a clear trend in the latter direction. So if the lull gives pause for thought, on this score alone, it may be no bad thing.

Further to go. The thrust of the takeover harmonisation initiatives emanating from Brussels has been broadly "Anglo-Saxon". But, in the real world of deal-making, some European concepts have seeped across the Channel - the cross-holding structure between Guinness and Louis Vuitton Moet Hennessy being a recent example - just as some Continental players have proved adept at playing the Anglo-Saxon game. All this would seem to point to a blending of styles, rather than dominance by either.

One way in which the 1990s will differ from the 1980s is incontestable; someone will have to pick up the pieces. In New York and London, the sight of deals coming unstitched, corporate restructurings and complex refinancings has become commonplace.

That poses some awkward questions about intermediaries' responsibilities - whether they are merely the tools of management or play a real part in shaping corporate destinies. In the late 1980s, there was a clear trend in the latter direction. So if the lull gives pause for thought, on this score alone, it may be no bad thing.

In this survey

Financial Times writers make an in-depth investigation of corporate finance trends in the world's leading economies - the United Kingdom, the United States, France, West Germany and Japan Pages 2 and 3

Janet Bush looks at Wall Street investment banks and Nikki Tait assesses UK merchant banks Page 4

Profiles of four investment banks and their European strategies - one American, one British, one French and a boutique Page 5



George Magan, of Hambro Magan See Page 5

Andrew Freeman on credit analysis; Stephen Fidler assesses senior debt and mezzanine finance; Deborah Hargreaves discusses derivative products Page 6

Janet Bush says only the very brave or foolhardy will invest in junk again; Deborah Hargreaves expects growth in the international equity market in Europe; Charles Satchel believes the venture capital industry has more money than it can usefully invest Page 7

Editorial production: Roy Terry

Charterhouse leads buy-out at Del Monte

Del Monte says 'yes' to management team

Managers buy Del Monte division in \$375m deal

Largest MBO in Europe this year

THE NAME BEHIND THE NEWS.

Charterhouse advised and financed the management team, guiding them through their successful \$375 million management buy-out to establish Del Monte Foods International.

We provided not only the necessary range of services, but the consistent direction and depth of expertise essential to bringing about a deal of this nature.

Which is why, if you're considering a major transaction, you ought to consider Charterhouse.

We can underwrite equity funding and arrange mezzanine financing, as well as senior debt, and if required, syndicate it with other banks. We can provide sophisticated currency and interest rate hedging to make the deal more attractive for you and your investors.

In the UK, USA and Continental Europe, Charterhouse will do its best to make the deal you're planning a successful one.

What we've done for others, we can do for you.

For more information, ring Catherine Sweet in London on 071-249 4000.

CHARTERHOUSE

Potential Made Possible

Charterhouse Bank Limited is a member of The Securities Association, The Royal Bank of Scotland Group

CORPORATE FINANCE 2

Financial Times writers make an in-depth investigation of corporate finance trends in the leading economies across the globe

Caught in the worst of all worlds

"LAST WEEK, I was told that three big deals had crumbled. This week, I'm told that two are back on again. The list of active jobs is no less than a year ago. The question is, are they coming off?"

The head of one large UK investment bank surveys the domestic bid scene with a mixture of uncertainty and optimism, but with traditional opportunism unpunctured. This is a picture that gets repeated many times; plenty of ideas are being explored, say the bankers, but relatively few are bubbling to the surface.

Certainly, in terms of straight statistics, UK bid activity is undergoing a lull, particularly at the "large deal" end. The same scenario is true for flotations - which are virtually at a halt - and for share issues. Only on the latter front has the situation changed in recent weeks, with a modest and cautious upturn in rights issues and the like, under way.

There are some obvious reasons for this. David Verrey, head of Lazard Brothers, states them neatly: "Inflation is 10 per cent, interest rates are 15 per cent upward, corporate profitability is patchy, there's stockmarket volatility and debt markets are undoubtedly getting stickier. So activity will be slower."

In fact, from an M&A viewpoint, the UK seems to be caught in the worst of all possible worlds. On the one hand, high interest rates and an uncertain stockmarket make acquisition funding difficult. On the other hand, purchase prices for corporate assets have been slow to fall. In the case of quoted companies, in particular, high levels of institutional liquidity have meant that significant premiums are usually demanded before a bid

begins to stand a chance of success. Indeed, a number of players suggest that this situation began to rectify itself only in the late-1989/90, and that the May/June stockmarket rally - if sustained - could prohibit any significant upswing in activity later this year. Anticipation of election-related moves a year or so out, runs the theory, might ensure that the required adjustment in sale prices never takes place. In the meantime, the funding constraints would tie the hands of many would-be buyers.

There may be an element of truth in this, but it is probably over-simplistic - and over-gloomy to boot. For a start, there is a feeling that price resilience is due partly to a "flight to quality". As Derek Higgs at S.G. Warburg puts it: "There's a two-tier market: you'll still get a fair price for a good business, but you can't give a dog away."

More significantly, there is the well-publicised "European" trend, where strategic positioning tends to take precedence over pure price considerations. As far as the UK market is concerned, there are two relevant forces; the desire by Continental European companies to expand into Britain, and that of non-European companies to use the UK as a springboard into Europe. The first trend has been clearly discernible - witness the French move

into the UK water industry, for example, or the steady purchase of UK fund management operations by Continental banking groups.

The second, perhaps, is more hesitant; although the UK offers the most accessible market, and poses fewer language problems for American and Japanese buyers, it is not necessarily a winner in "operational" terms, particularly as Eastern Europe opens up.

Most UK banks concede privately that creating a structure to service these new demands is easier said than done. Aside from a few strong established contacts in particular markets - Lazard Brothers with Lazard Freres in Paris and Morgan Grenfell through Deutsche Bank - most banks have aligned on one of two solutions. Either they have set up a string of "alliances" with domestic players on the Continent, and then run a UK-based "European" team, or - a la Warburg - have opted to run offices in the main markets.

Either way, most UK players concede that there are difficulties - either in finding high-quality alliances and then making them work, or establishing a sufficiently significant presence via a local office. And, privately at least, most admit that this is one area where US banks have tended to move more smartly. In short, pan-European deal-making may be a growth area, but it is not without difficulties.

Back home, on the other hand, economic problems have created some opportunities of their own. The most obvious

workload has come from what one banker describes as "the orderly dismantling of shaky edifices". This may not be as profitable as their creation, but it does command some fees.

Moreover, while bid activity may be undergoing a lull, the trepidation felt by some quoted company chairman about their

depressed share prices shows no sign of evaporating. That, in turn, seems to have added grist to the "unbundling" mill, enhancing the corporate fashion for streamlined business groupings rather than "conglomerations". The reception given to the likes of the BAT Industries' restructuring and

the Courtaulds demerger, suggests that this trend may have further to run.

Finally, the funding picture itself is not entirely bleak. Most bankers agree that leveraged deals have become very difficult, largely because the senior debt providers have put up the shutters.

By contrast, some movement on the equity funding front does seem to be under way, helped by the recent strength of the stockmarket. A smattering of rights issues - largely below the £150m mark - have been presented to investors, some attached to specific acquisitions. Tomkins, the

industrial conglomerate, recently called for more than £300m to fund a US acquisition, but took the unusual step of saying publicly it would market the deal among shareholders before attempting to underwrite the rights issue.

The only fear is that the stockmarket rally will reverse, leading to a new wave of uncertainty. At the end of the day, volatility is the deal-maker's nightmare.

Nikki Tait

MERCHANT BANK CORPORATE FINANCE ACTIVITIES

Flotations		1989		1988		% change 1989/88	
Ranking Bank 1989/1988		No.	Value (£m)	No.	Value (£m)	No.	Value
1	2 J.Henry Schroder Waggit	16	16,855.00	8	2,905.00	100.00	473.3
2	1 Samuel Montagu/TF	8	13,058.70	9	2,711.70	-11.11	381.6
3	4 Kleinwort Benson	8	10,395.40	5	210.60	60.00	4,836.1
4	5 Morgan Grenfell/TF	1	5,239.20	1	1,850.00	0.00	217.5
5	7 N.M.Rothschild & Sons	4	1,604.88	1	341.00	300.00	370.5
6	5 Lazard Brothers	2	834.14	8	202.97	-75.00	360.2
7	7 Lloyds Merchant Bank	2	885.15	6	63.40	-66.67	1,311.9
8	3 Barclays de Zoete Wedd	3	360.60	9	2,694.10	-66.67	-86.6
9	3 Robert Fleming & Co.	2	273.00	2	8.40	0.00	4,165.6
10	10 S.G.Warburg	1	246.20	3	111.20	-66.67	121.4

Notes: 1989 figures changed by the bank. 1988 figures changed by the bank. 1989 figures changed by the bank. 1988 figures changed by the bank.

Rights issues		1989		1988		% change 1989/88	
Ranking Bank 1989/1988		No.	Value (£m)	No.	Value (£m)	No.	Value
1	1 S.G.Warburg	7	582.10	13	1,248.70	-46.15	-45.4
2	8 Kleinwort Benson	8	563.10	4	262.80	100.00	114.3
3	8 Lazard Brothers	5	436.01	4	27.60	25.00	1,479.7
4	7 Morgan Grenfell	3	435.40	9	340.40	-66.67	27.9
5	10 Samuel Montagu	9	414.50	13	240.20	-30.77	72.6
6	9 UBS Phillips & Drew	7	387.90	9	244.70	-22.22	58.5
7	3 J.Henry Schroder Waggit	8	320.80	7	635.30	14.29	-49.5
8	7 Chaterhouse Bank	9	318.00	6	164.80	50.00	92.9
9	2 N.M.Rothschild & Sons	8	287.50	3	42.00	100.00	584.5
10	2 Barclays de Zoete Wedd	10	214.40	7	1,053.60	42.88	-79.9

Notes: 1989 figures changed by the bank. 1988 figures changed by the bank.

Research: Jan Saffling

The Hubble Space Telescope is set to alter our perception of the universe. Launched in the Space Shuttle at the end of April it has been claimed as the most exciting astronomical development since the discoveries of Galileo. At half a million times more powerful than the human eye it detects objects 50 times fainter than those that can be seen from ground telescopes.



AT SAMUEL MONTAGU, OUR INNOVATIVE IDEAS COULD CHANGE YOUR VIEW OF THE FUTURE.

Just as developments in the world of astronomy have opened up new opportunities for science, so the nature of corporate expansion has changed dramatically over the last few years.

The mergers and acquisitions market, once characterised by domestic liaisons implemented by equity exchanges, has long been transformed by new dynamics.

The value of bids has escalated, the aggressor is often smaller than the target itself and cross border activity is growing apace.

At Samuel Montagu we believe that corporate finance is about ideas and it's the combination of innovative ideas with the experience to turn them into practice that makes us stand out from the competition.

We've pioneered many of the techniques now widely used in the industry. From success-weighted commission structures in equity

underwritings to greater use of leverage in acquisitions by listed companies, often in some of the largest and most fiercely contested bids in the UK and cross border.

Last year our European network advised in over 30 cross border transactions worth over \$6.5 billion, including RJR Nabisco's sale of five European food businesses, Dresdner Bank's acquisition of Banque Internationale de Placement in France and BUPA's acquisition of Sanitas in Spain.

Most recently in the UK, we advised Lloyds Chemists in its acquisition of Cross & Herbert, European Leisure in its successful bid for Midsummer Leisure and Amber Day in its acquisition of a major retail chain.

If you're thinking of your company's future, call us on 071-260 9000. We could change your point of view.

Samuel Montagu & Co. Limited

PART OF MIDLAND MONTAGU, THE INTERNATIONAL AND INVESTMENT BANKING ARM OF MIDLAND GROUP.

10 LOWER THAMES STREET, LONDON EC3R 6AE.

A MEMBER OF THE SECURITIES ASSOCIATION. J/45

AMSTERDAM · ATHENS · DÜSSELDORF · HELSINKI · LISBON · LONDON · MADRID · MILAN · NEW YORK · OSLO · PARIS · STOCKHOLM · ZÜRICH



'Vulture funds' move in on ailing companies

WALL STREET, having gained mightily from the takeover boom of the 1980s, is now trying to turn a profit from sorting out the corporate mess spawned by that era, and which it played no small part in creating.

More and more US companies are filing for bankruptcy, or negotiating complicated restructurings with their creditors as many of the highly leveraged takeovers organised in the 1980s find themselves facing cash crises in a less bally economic climate.

All the parties to these negotiations need financial advisers, and while the fee income may not match the huge sums involved in large bids, it is still welcome in a world which has turned very chilly for the Wall Street houses themselves.

A growing number of institutional investors are becoming interested in so-called "vulture funds", which invest in down-and-out companies. Even Goldman Sachs, one of the most blue-chip of Wall Street investment banks, is setting up a fund to take stakes in distressed businesses. It will be by far the biggest yet and is likely to set an example for other top securities houses.

The death knell for the takeover boom was sounded last autumn by the severe financial difficulties and subsequent bankruptcy of highly-leveraged Federated Stores, bought by Canada's Campeau Corporation in one of the most widely optimistic deals of the junk era. Last October the highly-leveraged bid for UAL, the parent company of United Airlines, came to an abortive end and prompted a mini stock market crash.

The last rites were delivered earlier this year with the collapse of Drexel Burnham Lambert, the investment bank which did more than any other to promote the takeover wave through its pioneering of high yield "junk" bonds and huge bridging loans that allowed insignificant companies to mount audacious and successful bids for much larger businesses.

The junk bond market has imploded, leaving some large Wall Street houses sitting on big losses and shattered reputations both from this and bridging loans which have gone sour. Many companies that sold junk bonds to investors are now trying to buy them back at a steep discount to the issue price. According to First Boston a record \$2.5bn of junk was bought back in the first quarter of this year. The tactic obviously helps companies which have the cash to retire debt cheaply, and some holders of the securities will be happy to see any return on investments which may have suffered a drop in value of 40 per cent or more. Other bondholders, however, have complained they are being stampeded into unwise acceptances.

With the disappearance of the junk finance which fed the bid boom, the volume of takeover bids in the US has slowed to a trickle. According to Securities Data the volume of announced US bids was down 61 per cent in the first five months of this year, compared to 1989.

While the much tougher climate has been one reason for the contraction, another has been a wave of anti-takeover sentiment. This has been manifested particularly in increasingly tough legislation at a state level.

The pace of new offerings is likely to build up slowly, in part because of a reluctance by some US institutional investors to buying more privately-placed securities. Only Goldman Sachs and First Boston, which between them have a sizeable chunk of the private placement market, are believed to have picked up any substantial business. Nevertheless, the rule change is expected to lead to a large secondary market in unregistered securities.

Martin Dickson

Only certainty is uncertainty

FOR MONTHS after the first chinks of light shone through the Berlin Wall, the West German stockmarket went on an extended party.

The inebriation may now be giving way to a more sober assessment of the costs, as well as the benefits, of the economic reunification of the two Germanys in the near term. But the fundamental re-rating that has occurred since November remains valid.

Mr Holmut Hausmann, the West German economics minister, recently forecast that, in the 1990s, East Germany would have one of the world's highest growth rates. And West Ger-

man companies believe that, given patience, economic union will eventually bring them handsome returns.

Many are opting for joint

WEST GERMANY

ventures with existing East German firms; but in large sections of heavy industry - chemicals, for instance - the environmentally disastrous and unproductive pre-war fabric is worth nothing, so that starting from scratch becomes the only viable option.

Continued on facing page

some critics argue that Suez has lost the *banque d'affaires* culture and become a financial conglomerate. It is Lazard Frères, however, which takes the lion's share of the market.

The two prime examples are Paribas and Suez, although

Japanese companies' resistance to M&A has been made glaringly apparent by the attempts of Mr. T. Boone Pickens, the Texan corporate raider, to make headway in his battle with Koito, a Japanese auto parts maker. Mr. Pickens has built a 26 per cent stake in Koito, which is loosely affiliated to Toyota Motor, the carmaker. But he has failed to win seats on the Koito board even though Toyota, a 19 per cent shareholder, is represented.

Along foreign acquisitions, the biggest change in the past

Even large Japanese companies often prefer transactions of this scale since they are more easily integrated. In a typical deal, Sankyo, a large drugs company, spent \$129.5m on a controlling 74 per cent stake in Luitpold-Werk, a family-owned company in Munich, West Germany.

Some foreign bankers think the number of large \$1bn-plus deals could fall because the US domestic market in M&A has calmed down in the wake of the collapse of the junk bond market, which provided funds for so many transactions. Japa-

Note. Financial years to March

Source: Yamalchi Securities

It is also hardly surprising that most foreign companies are still on the starting-blocks. The cartel authorities - caught between recognition of the urgent need for capital to bring the country to its feet, and the fear that former communist monopolies will simply be replaced by West German monopolies - have been urging foreigners to invest via joint ventures or their own plants, so far to little avail.

It is no wonder that, despite the plethora of east-west partnerships that have reached the letter-of-intent stage, very few operations are actually up and running.

Those that have proceeded quickest often grew from well-established existing relationships, such as Volkswagen, which is already producing

Meanwhile, as East German citizens shed the fetters of a planned economy, information is at a premium. Bankers, management consultants, lawyers and accountants have been running seminars across the country, unveiling even the simplest accounting principles to a thirsting audience. While whole sections of the

Katharina Campbell

IF THE 1970s AND 1980s were the decades of diversification

and large M&A deals, the 1990s look set for concentration on core businesses. In both European and global contexts, divestitures are as much a feature of corporate management as acquisitions. *MORGAN GRENFELL* has played a significant part in this transition. In the past year and a half we have completed more than 50 divestitures in ten countries, with a combined value in excess of US\$3 billion, for such companies as Elf Aquitaine, RHIM, The Thomson Corporation and United Biscuits. *WHATEVER THE SHAPE* of your company's strategic planning, our 150 strong professional team, placed throughout the world with 100 in Europe, can use their expertise and experience to help you divest, merge, acquire and fund your company to gain the maximum benefit. For further information, contact *MIKE HILDESLEY* of our M&A team in London on (44 71) 588 4545.

Morgan Grenfell & Co. Limited, Member of The Securities Association



Mezzanine Finance:

We don't have a formula for success.

No formula will fit every buy-out, buy-in and leveraged acquisition. Every one is unique and requires an individual solution.

Through flexible and innovative financing techniques we can structure a package that matches your business plans and achieves the best result — optimising the value of the business for everyone concerned. That's how we've grown into a leading mezzanine financier.

Although we are one of the world's leading commercial banks with our own considerable resources, this doesn't mean that we're too big for small clients. We've

proven that our creative solutions work for small, complex situations, as well as for larger deals.

For companies such as Duflex, Bricom, Evans Healthcare, Moorwood Vulcan, National Express and Falmer International in the U.K. and several others on the Continent, our flexibility and creativity are well known.

While we are not the biggest name you could talk to, we could be the most helpful.

Call Peter Roberts and let us demonstrate how our creativity can work for you.

Bank of Boston Limited,
Bank of Boston House,
39 Victoria Street,
London SW1H 0ED
Tel: 071-932 9261 Fax: 071-932 9117
A Member of the Securities Association



IS SUCCESS THE GREATEST THREAT TO YOUR BUSINESS?

It may sound like a paradox.

But a full order book can create a whole host of problems.

What about slow payers, or new customers with no credit rating? How do you expand to meet demand when your money is tied up in your sales ledger?

With *Intrum Justitia* a successful business can be just that. A success.

Our dedicated approach to cash collection will reduce your exposure to slow payers, thus narrowing the gap between invoice

and payment. You'll be paid faster enabling you to unleash your own money to fuel business expansion.

No need to rely on external borrowing at punitive rates.

So by improving cash flow you'll realise higher return on capital employed, enabling accurate business planning, which leads to

increased profits.

We can also check the credit rating of almost any customer you can name, in the UK or throughout the world.

Intrum Justitia is Europe's largest and the world's third largest Group in credit management and debt recovery services. By providing a complete suite of domestic and international credit management support, we'll help you make the most of your success.

Telephone Brian Keegan on 081-423 3355 or fill in and post the coupon today.

intrum justitia

The European Credit Management Corporation

Send to: Intrum Justitia, 54-56 High Street, Harrow-on-the-Hill, Middlesex, HA1 3LL.

Please send me more information on the following services offered by Intrum Justitia companies in the UK.

Justitia Unicol
Debt Recovery ☐ Credit Reporting ☐
Credit Systems and Services ☐ International Credit Reporting ☐
Intrum International ☐ Intrum Insurance Services ☐
International Debt Recovery ☐ Export Credit Insurance ☐

Name _____
Position _____
Company _____
Address _____
Postcode _____
Telephone _____

CORPORATE FINANCE 4

Janet Bush looks at Wall Street investment banks

Shake-out has been severe

AFTER a decade of multi-million dollar bonuses, enormous profits from trading volatile financial markets and takeovers dreamed up by investment bankers for no better reason than to earn huge fees, the shake-out on Wall Street has been severe.

In the past six months, some of the mightiest names on Wall Street have been forced to square up to severe financial and business problems. Some executives believe that the securities industry, which has already lost 17,000 jobs since the October 1987 stock market crash, needs to slim down by another 25 per cent or another 35,000 to tackle overcapacity.

The brokerage industry's return on equity dropped from around 50 per cent in 1980 to scarcely 6 per cent in 1989 and pre-tax profit margins are now around 4 per cent compared with 14 per cent at the beginning of the 1980s. Earnings in 1989 were roughly half of what they were in 1986, the year in which Drexel Burnham Lambert staged the financial world by reporting a pre-tax profit of \$1.1bn.

After the 1987 crash, trading volumes in financial markets dropped considerably, putting a severe squeeze on commissions and reducing the scope for making trading profits. In response, many houses rushed headlong into high margin, fee-earning investment banking which, for a while, masked the underlying erosion of profitability in the industry.

A retrenchment on Wall Street on a scale not seen since the 1970s when fixed commissions were abolished, became an inevitability on the day that

the proposed leveraged buy-out of UAL, the holding company for United Airlines, collapsed and triggered a 190-point fall in the Dow Jones Industrial Average last October 13.

Although the UAL deal has been revived, the demise of the original buy-out signalled to Wall Street that banks were baulking at financing deals with obviously inflated values and dependent on junk bond financing. Almost overnight, the junk bond market collapsed — and has not shown any signs of recovering — and the flood of fees from mergers and acquisitions promptly dried up.

houses finally started to administer some bitter medicine, not only to address past over-expansion and mistakes but also to position themselves for what will undoubtedly be extremely competitive conditions in the 1990s.

Merrill Lynch, the largest brokerage house, announced a record \$470m restructuring charge in January against its fourth-quarter results, leaving it in 1989 with its worst loss. Merrill had long been notorious for being overstaffed and did not move to cut costs significantly despite the drop in retail investor participation after the October 1987 crash.

Some of the mightiest names have been forced to square up to severe financial problems

Drexel Burnham itself was the most prominent casualty. Facing a liquidity crisis, it found itself abandoned by its bank creditors and US regulators and on February 13 filed for protection under Chapter 11 of the US bankruptcy code.

Since then, the broker/dealer itself and all other operating subsidiaries have filed for Chapter 11 and there seems very little prospect of anything but a small, specialised operation emerging from the courts. Although competitors talked enthusiastically about the opportunities in junk financing left by Drexel's demise, it seems unlikely they will make much money either from underwriting or trading junk bonds.

It was difficult after the October mini-crash to see where the next profit centre would be and many securities

Last December, severe problems became apparent at Shearson Lehman Hutton which had been struggling to contain the enormous costs associated with its merger with E.F. Hutton shortly after the 1987 crash. Moody's, the US credit-rating agency, was threatening a downgrading of its commercial paper unless it received a significant infusion of new capital.

Accordingly, a significant capital injection was announced last year but this was not enough in the nervous conditions following Drexel's bankruptcy. In the end, its parent American Express was forced to put in a total of \$2.3bn in fresh capital and decided to take 100 per cent control of its troubled brokerage subsidiary, Mr Howard Clark, formerly American Express's chief financial officer.

was in charge of administering the cutting and a far-reaching restructuring.

Another example of a sea change in management of Wall Street is the decision by General Electric to take 100 per cent control of its brokerage unit, Kidder, Peabody, which made a loss of \$23m in 1989. At the time, General Electric's subsidiary of illiquid securities and bonds.

General Electric had bought an 80 per cent stake in Kidder in 1984 for more than \$100m when all kinds of corporations were snapping up interests in Wall Street because the industry was making so much money. There is doubt General Electric's investment would have been as profitable as another \$200m.

First Boston, which had been active in leveraged buys, also had its share of problems. In February it revealed it had a \$1.2bn exposure to leveraged bridge loans and that made only \$11m in 1989 from a significant addition to its reserves. In this case, First Boston was bolstered by the backing of the Credit Suisse banking group. Despite all these warnings, there were some hints of resilience which characterised Wall Street. Morgan Stanley, for example, made record net income in 1989 of \$143m and boosted its quarterly dividend. Salomon Brothers, the powerhouse of trading, made \$1m from its securities business in the first three months of the year and simultaneously announced the opening of its East Berlin office.

Nikki Tait assesses UK merchant banks

Shadow falls over the Nineties

IT MAY be too early to call 1989 the last year of the mega-deals. But, even if UK bid activity revives at some stage in 1990, it seems unlikely the aggregate acquisition values and the associated fees will begin to match those seen as the decade closed.

One mega-deal in particular — the £13bn assault by Sir James Goldsmith's Hoylake consortium on BAT Industries — distorts any league table of advisers. For example, the top seven places in the M&A table go exclusively to investment banks involved with that transaction.

This is slightly unfair. Statistics drawn up by Exel Financial for all deals and defences involving a UK target company but excluding Hoylake/BAT, keeps Warburg and Lazard Brothers in first and second place, but after that the list changes significantly. Kleinwort Benson, Schroders and Morgan Grenfell take the next three places.

In fact, given the furore over BAT, it is easy to forget that six other deals also exceeded £1bn, including the £4.7bn Beecham/SmithKline merger as well as the Eason/Gold Fields, Iacocca/Gateway, GEC-Siemens/Plessey, Ford/Jaguar and AMP/Pearl bids. Moreover, the total value of announced bids, again on Exel figures, was a staggering £85bn, while completed transactions reached £49bn. In a case of this size, there was plenty of scope for healthy fee levels without commanding the lead positions.

Whichever way the figures are worked, the poll positions of Warburg and Lazard Brothers are undeniable. That picture, moreover, has continued in the deal-depressed Nineties; in the first three months of this year, Lazard ousted Warburg from the number one slot but, with transaction values of £2bn and £1.2bn respectively (covering quoted and private companies plus UK subsidiaries), both were ahead of the nearest rival, Barings.

The rise of Lazard during 1989 was arguably the more marked development. The bank ranked only sixth in the previous year and its pre-eminence in 1989 owed something to a blue-chip and well-established client list. Lazard was involved in three of the mega-bids — for BAT, Gateway, Plessey — and it is notable that in each case, it was on the defending side.

Warburg, meanwhile, moved remorselessly but less dramatically from third place in 1988 to the number one slot last year. The benefits — or, critics suggest, dangers — of its integrated approach were exemplified most clearly in the Iacocca/Gateway transaction. Warburg acted as adviser on the transaction; its banking division co-ordinated the debt funding; and its fund management arm, Mercury Asset Management, was a key member of the bidding consortium. The overall value of this one transaction became clear when Warburg's profits were published: total fees from the Gateway deal were close to £25m, helping the bank to a record £187m pre-tax in 1989/90.

It is also no coincidence that Warburg's top-ranking position

MERCHANT BANKS: Mergers and acquisitions

Ranking 1989/1988	Bank	No.	1989 Value (£m)	No.	1988 Value (£m)	% change 1989/88	1989/88 Value
1	1 S.G. Warburg	82	29,10	85	16,056	-3.52	81 67
2	11 Goldman Sachs	14	23,18	15	4,542	-6.87	399 53
3	8 Lazard Brothers	54	22,34	56	5,590	-14.29	239 73
4	5 Shearson Lehman	30	16,99	35	8,328	-14.29	104 17
5	5 Bankers Trust	21	15,11	NA	NA		NA
6	16 Hambros	36	14,91	32	1,544	12.50	855.80
7	2 J. Henry Schroder Wagg	64	14,88	107	14,264	-36.63	2 92
8	3 Morgan Grenfell	36	14,52	89	12,471	-59.35	19 07
9	3 Drexel Burnham	1	13,50	NA	NA		NA
10	6 Kleinwort Benson	66	13,34	57	8,117	20.00	64 43

Notes: Bids for all UK Companies and British bids abroad. (Source: FT Mergers and Acquisitions Jan. 1990/Jan. 1989.) (Exel declined to give details of bid activity.)

was achieved on the highest number of deals — around 10 per cent more than Lazard in terms of bids for UK companies, almost 30 per cent more if British bids abroad are also added in. Nothing attracts like success in the bid world, and the bank has certainly not been loth to expand its client base.

That, too, has brought both pluses and minuses. On the one hand, Warburg has been one of the more innovative institutions in terms of deal structures, financial instruments such as the recent convertible capital bonds, and so on. On the other, it has suffered a fair share of subsequent acquisition-led casualties — Coleroll, for example, or Gray Electronics.

Arguments over the merits of integrated houses, with all their inherent conflicts of interest, will no doubt continue. However, with the exception of Warburg, 1989 was not a vintage year for the

breed. Kleinwort Benson remains a serious layer, nothing up the innovative SmithKline Beecham deal and a commendable victory in the Boots/Ward White battle. However, its defence of the Pearl won few plaudits and it subsequently lost two of its "ars" to BZW at the end of the year.

Among the clearing up groups, BZW just about did its league table position (the Hoylake effect is stripped out) but, given its formidable broking/market-making capacity, a place well outside the top 10 on corporate finance is scarcely a triumph. Count continued to suffer from the Blue Arrow affair fall-out, failing from the top 30 altogether while Hill Samuel, despite a somewhat stronger showing in deals below the £100m mark, has never featured prominently since the auctions and departures of 1987.

Only at Midland did the corporate finance arm, Samuel Montagu, continue to draw on

the banking muscle to good effect — exemplified in the WPP/Ogilvy deal. Newgate's abortive entry into the Gateway battle and Anglo United's successful assault on Coalite.

Meanwhile, the toehold gained by US competitors within the UK bid arena saw relatively little expansion last year. "There's only one-and-a-half players worth bothering with," remarks one indigenous banker airily, a sentiment many others echo in more moderate tones.

Over-simplification or not, no one could dispute that Goldman Sachs has been notably more successful than its compatriots in breaking into this market, while Morgan Stanley wins fairly frequent mention for its predominantly cross-border role. Wasserstein Perella, the aggressive US boutique, has now set up shop in London but — aside from the Gateway foray — has not featured strongly so far.

On the instructions of
NOMURA INTERNATIONAL PLC

MONUMENT STREET
London EC3

**HEADQUARTERS
OFFICE BUILDING**

64,000 SQ. FT.

Lease For Sale

Contact Alex Rowe
or Charlotte Arimatsu

**Jones Lang
Wootton**
Telegraph St. Monmouth Gwent NP23 7JA
071-638 6040

Profiles of four investment banks and their European strategies — one American, one British, one French and a boutique

HAMBRO MAGAN

BOUTIQUE? "sniffed one senior investor banker.

"That game is largely over." It is an attitude which Hambro Magan, the highest-profile boutique operation in the UK, is anxious to prove wrong. With all the sales technique that is usually expended on wooing clients and cajoling opponents, this two-year-old venture insists that life has been busier than it expected.

The company has certainly made a mark on the UK takeover scene since its formation in early 1988. The business was set up by George Magan, a former director of Morgan Grenfell, in conjunction with Rupert and James Hambro, who had broken away from Hambro Bank two years earlier. The fourth member of the initial team was Mr Alton Iby III, a former Sedgwick director.

Today, the staff numbers two dozen; a link has been forged with New York-based Blackstone Group, and the operation is housed in an elegant, if rather homely, townhouse by St James's Park.

Life did not begin on a particularly auspicious note. A stout defence of oil group Carless against Kelt Energy failed. Sait was then rubbed into the wound when the bidder's sale of the downstream businesses left it with upstream assets valued at more than £160m for net outlay of £70m.

Since then, however, Hambro Magan's name has cropped up in happier circumstances with a fair degree of regularity — for example, in the defence of Boase Massimi Pollitt and its eventual acquisition by US-based Omnicon, in the Alders buy-out from Hanson and in the Hartwell-Jameel bid battle.

Perhaps most striking is Hambro Magan's role in some of Britain's biggest deals, a sharp contrast to virtually any other boutique operation set up in the takeover boom. There was the advice given to Deutsche Bank over its purchase of Morgan Grenfell, for example, and to Jaguar during the Ford negotiations. Hambro Magan was also one of three advisers acting for KKR, when the US buy-out specialists toyed with the idea of entering the £2bn Gateway battle.

George Magan makes no secret of the generalist approach: "We're not focused on any industry or type of assistance — not just buy-outs,

for example," he says. "And we've no hang-ups about hostile bids, unlike some of the Americans."

As for the merits of boutiques generally, he asserts that specific personal service, without the worries of conflicting interests or the pressures of cross-selling.

Not surprisingly, in the dog-eat-dog world of investment banking, some competitors are keen to carp. The critics allege that business is still highly dependent on the contacts of Mr Magan himself — although a glimpse at the deal list suggests that this is only partly true — and that resources are inevitably lean.

The latter point is probably more valid. Even Hambro Magan concedes life became fairly frantic last summer when a number of big deals coincided, under which both there are still plans to expand the business a little further.

However, George Magan is quick to argue that, with the exception of Warburg and Schroders, few banks have more than 30 to 40 really good professionals on their staff, although he acknowledges that will be a cushion of back-up specialists in tax areas and the like. The strains, he protests, are a fact of life in this business — it's no more arduous than in a major investment bank.

The Blackstone link, meanwhile, was only set up two months ago and it is too early to assess its effectiveness. The alliance comprises a formal agreement, under which both players agree to employ each other's services if business crops up in the US or UK respectively. Exception would be made only if there was a strong existing client relationship with a third party adviser.

In theory, it is a model which George Magan believes can be repeated in Europe and, perhaps, in Japan. But he admits reality is often more difficult.

In one respect, at least, the UK group may move even closer to the typical US "boutique" pattern. Some thought, concedes Mr Magan, is being given to the raising of an in-house equity/mezzanine fund, possibly with a European orientation. "That's something where the Blackstone relationship may help," he says, suggesting that clients of the US boutique might be offered a participation.

Nikki Tait

BANQUE INDOSUEZ

UNTIL last October, Banque Indosuez had seemed to be the quiet cousin in the Suez family: a financial group that had emerged from a sleepy period under state control to a dramatic three-year period in which it accomplished its privatisation, the acquisition of Société Générale de Belgique in a ferocious battle with Mr Carlo de Benedetti, and finally the FF27bn takeover of the Victoire insurance group.

Indosuez, the wholly-owned merchant banking subsidiary of the Suez group, had taken the lead in engineering these three operations, and had at the same time not neglected its own expansion with a series of acquisitions, much smaller but strategically important to the group, in the broking and financial services fields.

But it was Indosuez's emergence as the new principal shareholder in Morgan Grenfell, the once prestigious British merchant bank, that put it in the limelight. Indosuez took its stake in Morgan Grenfell to nearly 25 per cent by paying £137m for the shares previously held by insurance brokers Willis Faber, and Mr Antoine Jeancourt-Galliani, its chairman, wrote to his opposite number at Morgan Grenfell offering a partnership.

Morgan Grenfell instantly ran in search of a white knight, and ended up selling out not to the French bank, but to Deutsche Bank, the leading West German group. The failure of the Morgan Grenfell approach does not exactly leave Indosuez, which boosted net profits last year to FF1.03bn, weak and defenceless in the battle for Europe's merchant banking market in the years to come.

Mr Jeancourt-Galliani has built up the group's financial market activities, principally around WLCarr, its UK and

Far Eastern stockbroking subsidiary, Cheuvreux de Virieu, one of the leading Paris equity brokers, and Carr Futures, in the European and North American futures markets.

Indosuez has also developed a leading position in project finance: it has, for instance, been joint lead manager for the financing of Eurotunnel and Eurodisneyland.

In asset management, Indosuez recently completed its panoply with the acquisition for £155m of Gartmore, the UK fund manager — an acquisition partly funded by the profit it made on selling its Morgan Grenfell stake to Deutsche Bank, and which leaves it with some FF140bn of funds under management.

In mergers and acquisitions, the bank's specialised subsidiary Financière Indosuez has a strong position in France, ranking second to Lazard with FF24bn of deals handled last year and FF26bn in 1988, according to PF Publications.

A second factor is that Goldman's corporate culture lays great emphasis on teamwork, rather than individual stars. "This industry is now so complex that to serve a client you have to have upwards of a dozen experts," says Mr Weinberg. "No one individual can have all that, so you have to have teamwork."

At the same time, the atmosphere inside the bank is unstuffy. The offices of even senior executives have a collegiate air of creative chaos. People tend to kick off their shoes as they talk, or loosen a tie.

A third factor is Goldman's emphasis on the building up of strong relationships with clients. That again was a rather unfashionable line in the 1980s, when "transactional banking" was the buzzword — partnerships with clients established purely to execute a hot deal. But now other banks are beginning to proudly advertise themselves as "relationship oriented".

"We don't change people on accounts very often," says Mr Weinberg. "Companies like that."

The bank also has one of the lower staff turnover rates on Wall Street, which must be due in part to its recruitment process, designed to find good performers who can work within its strong team culture. Goldman hires some of the best graduates from the US business schools.

over business, but Goldman seems to be suffering less than most. As a private partnership, it reveals little financial information. But Mr Robert Rubin, co-chairman of its management committee, says that in the fiscal half year to May, it was ahead of 1989 on a profit and loss basis.

The bank remains one of the top global underwriters of debt and equity and at the top of the league of new issue underwriting. Its research team is one of the most highly rated in the business and it has built up one of the strongest presences in international M&A work.

Unlike many other banks it is not weighed down by those millstone legacies of the 1980s — large bridging loans or junk bond portfolios used by companies to finance bids which have now gone sour.

That said, Goldman's record is not perfect: it was, for example, a backer of the 1987 leveraged buy-out of Souland, the retailer which is now in financial difficulties.

The bank's distinctive nature and relative success stem from a combination of factors. One is that it is one of the very few houses left on Wall Street that is a partnership (with more than 82m of equity) and Mr John Weinberg, the senior partner, says it wants to stay that way.

A partnership, he says, means a "more intense watching of eggs in the basket".

Mr Jeancourt-Galliani says it has also developed a respectable operation in London.

Nevertheless, on the international scale, corporate finance still seems the weakest leg of Indosuez's businesses.

"Gartmore settles our problems in asset management, so we do not need to make any further acquisitions in that sector. Will we do something in corporate finance? I do not know," Mr Jeancourt-Galliani said recently.

He still believes the philosophy behind his approach to Morgan Grenfell, of creating a leading European merchant bank to compete with the big US and Japanese investment banks in the years to come.

was correct. Though respectful of Barclays' beginning with BZW, and open-minded over whether Deutsche Bank will work well with Morgan Grenfell, Mr Jeancourt-Galliani believes there will always be an advantage for specialists.

George Graham

SCHRODERS

MERCHANT bankers are unusually coy about disclosing how much their corporate finance departments earn, and Schroders is no exception. Yet, along with S.G. Warburg, it earns more from corporate finance than any other leading UK merchant bank. Its premier rating, in a notoriously cyclical business, is reflected in the fact that its shares normally yield less than half those of Warburg, considered by many as the pre-eminent London merchant bank.

This has not always been so. The reputations of corporate finance firms can rise and fall with extraordinary rapidity, and Schroders went through a bad patch in the early 1980s. The group, which dates back to 1604, had become rather complacent, and began to lose clients as its reputation took a nosedive. It pulled itself together reasonably quickly, but the experience has not been forgotten. "We all learned that reputations are quite short-lived," says David Challen, who, along with Derek Netherton, runs Schroders' UK corporate finance team.

Schroders is unusual in that it is neither a niche player, like Lazards, nor is it trying to be a big integrated house like Warburg, BZW or Kleinwort Benson. However, corporate finance teams tend to thrive when the merchant bank has a good deal-maker in charge, and Schroders' chief executive, Win Bischoff, was until recently the group managing director in charge of corporate finance.

The pecking order in the various corporate finance league tables is forever changing, but generally Schroders tends to be found among the top three UK houses and it normally is on one side or the other of most of the big deals. Siemens/GEC bid for Plessey, British Aerospace's acquisition of Rover, the £2.6bn takeover of Rowntree, and BP's £2.5bn purchase of Britoil are among the more famous.

In 1986 it represented Hanson in its £2.7bn acquisition of Imperial and last year it found itself on the other side of the table when Hanson paid £3.5bn for one of its clients, Consolidated Gold Fields. It does not like to be tagged as a bank companies should turn to just when they face unwelcome takeovers. Nevertheless, its record in this area is second to none. Between 1988 and 1989, 11 out of the 18 companies

Schroders defended retained their independence. Last year the tally was five out of six.

However, Schroders has not been immune to the marked slowdown in corporate finance business, particularly in the UK and the US. In 1988 it was involved in 175 transactions totalling \$50bn. Last year the number of deals slipped to around 150 and the value fell. The group still enjoyed record revenues, but this was helped considerably by the £5.2bn privatisation of the UK water industry, where Schroders was the Government's lead adviser.

But privatisation work is erratic, margins are low, and although Schroders has been involved in deals such as this year's £599m demerger of Argos from BATs, and last year's £380m flotation of Hays, the issuing business remains surprisingly slack. In common with other UK merchant banks, it is under pressure to find new sources of business for its 100-strong team of corporate finance professionals.

One sign that Schroders is overhauling its dealmaking machinery is in Adam Broadbent's move to New York. He recently took over from Win Bischoff as group managing director of corporate finance, and has also become a managing director of Wertheim Schroder, the group's US affiliate. Schroders admits it is still experimenting, but it is a sign that it may be beginning to organise its corporate finance business on a global basis.

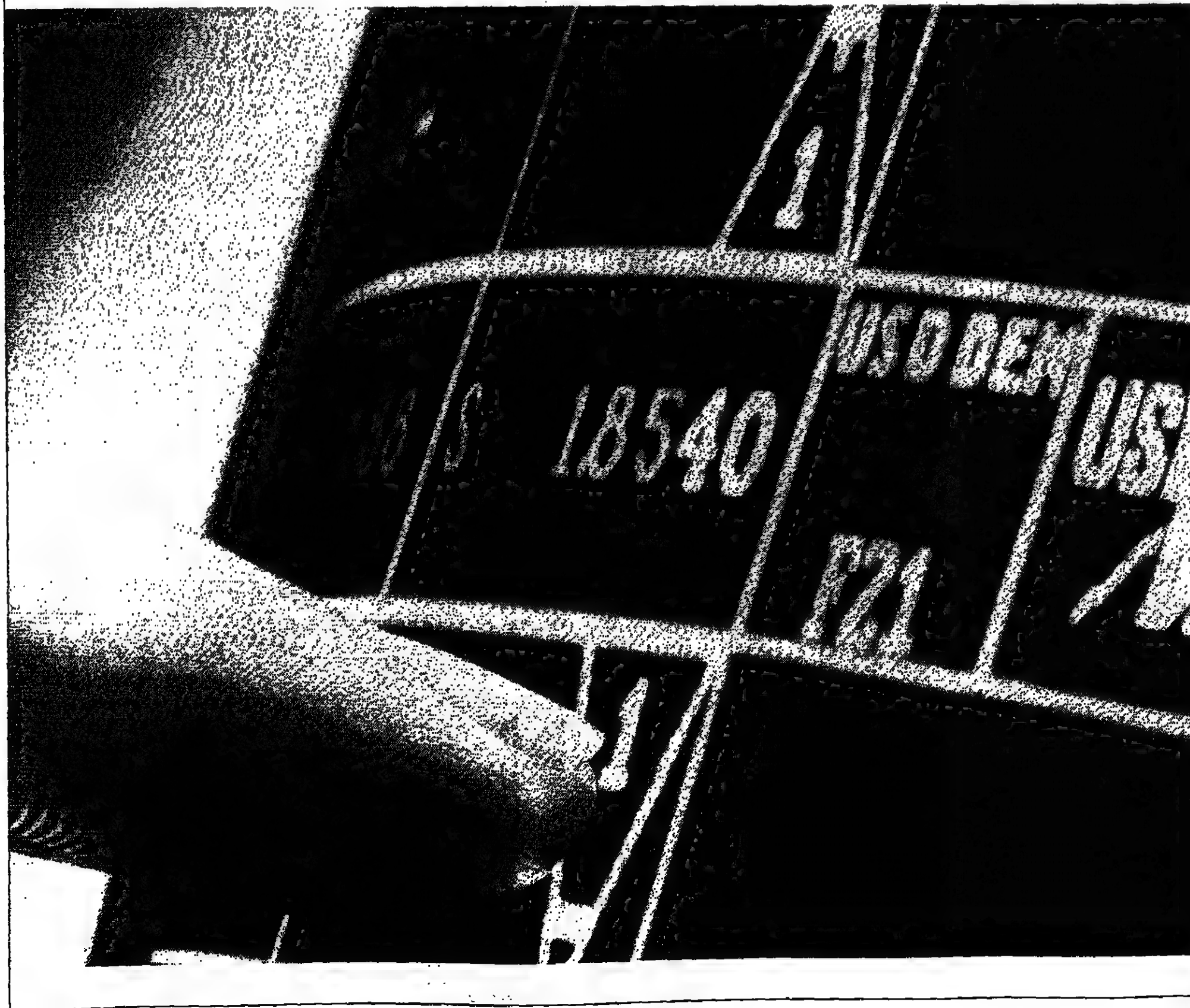
Japan is a market where it has had some success. Unlike some of its rivals, it has not felt it necessary to win business by joining forces with a local institution, although Mitsubishi Trust Bank, has recently bought a small stake in Wertheim Schroder.

What gets you known in markets is doing transactions, and we are visibly doing the deals," says David Challen. He instances Nippon Seiko's £203m acquisition of United Precision Industries — the big Japanese demerger of a UK firm — to support Schroders' claim to be the leading adviser in Japan/Europe M&A work.

However, the flow of Japanese deals has not been as great as many expected, and this year's sharp drop in the Tokyo stock market has not helped. Consequently, it is Continental Europe which holds the greatest potential for Schroders' dealmakers.

William Hall

Unique treasury touch. Global vision.



Market volatility can turn profits into losses overnight. Today's corporate treasurer needs a truly global bank that works 24 hours a day.

At the mere touch of a screen, our state-of-the-art treasury trading systems allow dealers to keep track of markets, and react quickly to changes on the economic scene. Round the clock.

HongkongBank's experienced corporate dealers will work closely with you, finding creative answers to your company's treasury needs.

With more than 1,300 offices and 33 dealing rooms worldwide, the HongkongBank group's treasury services can help put you ahead. And help keep you there.

For more information, contact our London Office at 99 Bishopsgate, London EC2P 2LA. Tel: (071) 588-6841; or your nearest office of the HongkongBank group.

Advanced treasury management technology. And a global capability. That's our strength.



HongkongBank

The Hongkong and Shanghai Banking Corporation Limited

Marine Midland Bank • Hong Kong Bank

The British Bank of the Middle East • Hongkong Bank of Australia • Hongkong Bank of Canada

Wardley • Japan Capital • CM&M

Equator Bank

Carlingford and Gibbs Insurance Group

Consolidated Assets at 31 DECEMBER 1989

EXCEEDED US\$13 BILLION

The Hongkong and Shanghai Banking Corporation Limited is a member of HSBC

The Rules and Regulations under The Financial Services Act 1986 for the protection of depositors do not apply to certain insurance business from 1987 to 1990 in relation to this advertisement.

Fast decisions. Worldwide.

638 6040

CORPORATE FINANCE 6

Andrew Freeman discusses credit analysis

An overdue return to sanity

CREDIT analysis has long been the backbone of corporate debt finance, but in recent years it played a reduced role. Now, amid the sudden rash of corporate defaults and the apparent eclipse of the highly-leveraged market, it is making a comeback.

In the US, more than in Europe, what pushed credit analysis into the background was the extraordinary flourishing in the second half of the 1980s of leveraged debt financing. A tendency emerged for conservative credit committees to fall silent in the face of enthusiasm among more senior bank managers for deals which appeared to offer the prospect of easy, large returns.

That was fine so long as the market boomed. But as the rate of defaults in the US began to increase alarmingly, culminating in some highly-publicised and embarrassing failures, there was a perceptible trend towards both tighter credit and tighter credit analysis.

Although it would be an exaggeration to describe a severe world-wide credit crunch as a result of the downturn in spectacular credit growth that spawned the M&A boom in the US and UK, and the share price and real estate booms in Japan, credit is now more carefully disbursed than at the height of the boom.

The move towards tighter credit analysis was led by the international credit-rating agencies, but spurred partly by the companies which pay their fees and wanted to differentiate themselves from the failing credits in the wider debt market.

For some banks, the resurgence of traditional credit analysis represented a long-overdue return to sanity. The more doubtful corporate finance departments had anyway refused to participate in some of the most highly-leveraged transactions.

But it took considerable courage to remain consistent in a market which imposed a high degree of performance pressure.

"We would look at the projected cashflows in, say, a management buy-out, and our own figures and assumptions would be totally different. It wasn't that we were being deliberately pessimistic, we were just being realistic," was the comment of one corporate finance officer.

That highlights another trend in the market - arranging banks had become used to having their assumptions largely taken as read. There was no wide-spread questioning of projections and bankers who did so were often given a rough ride by the arranger.

Banks are suddenly more willing to rock the boat. The availability of commercial software packages allowing very sophisticated credit analysis has eased the pain of number-crunching and allowed lenders to set their own objectives and limits more clearly.



"We knew there was no way we were comfortable going into the deal, but it still took some persuading to convince our managers that we shouldn't," said one banker who managed to avoid the controversial Magnet management buy-out in the UK.

Inevitably, greater concentration on credit analysis has given a new emphasis to the role of the debt-rating agencies.

Against a background of rising defaults and the deterioration in the creditworthiness of many lending banks, the agencies responded to greater pressure to make accurate and more timely judgements.

That they responded with clarity is evident in the sheer volume of rating information now available. The five accredited US agencies - Standard &

Poors, Moody's Investors Service, Fitch Investors Service, Duff & Phelps and Macarthy, Crisanti & Maffei - put out an enormous weight of publications alerting investors to an array of sectoral and international trends. In addition, specialist agencies like IBCA which reviews ratings of worldwide financial institutions, have found a growing audience for their wares.

Recently, however, the agencies have come under a pressure of their own. They have been accused of credit judgements that have an eye towards headlines rather than objectivity, despite their vigorous denials that this might be the case.

A good example was Moody's downgrading of RJR Nabisco pay-in-kind junk bonds in January, a decision which changed the attitude of investors to the entire junk bond market. RJR's debt was drastically affected, losing 20 points of value in two days.

Moody's was criticised for making a credit statement about the whole junk market that was perversely at odds with the credit outlook for RJR Nabisco, even though that single borrower dominated the market.

Critics said that the company's programme of asset sales was going better than expected and that its credit profile was actually improving. Moody's negative sign needlessly upset the market. In retrospect, however, Moody's has been vindicated, its downgrad-

ing marking a key psychological turning point in the perception of credit risk caused by the junk bond market.

The agencies received further adverse publicity when Moody's and Standard & Poors downgraded Citicorp, the US commercial bank, affecting some \$30bn of debt securities. In this case, the fact that they reached different ratings and that Duff & Phelps maintained its AA- rating undermined the coherence of the moves.

Nevertheless, borrowers, particularly corporate borrowers, cannot tap the international capital markets without a credit rating from one or both of the leading international agencies. Indeed, the increased concern among lenders had led to the syndicated bank credits market becoming more like the international bond market.

The best credits can still achieve very competitive terms, but many second-tier borrowers have experienced difficulties raising funds. Lenders seem willing to take on conservative business from blue-chip companies, but corporate financiers in general are demonstrating an aversion to debt-reliant growth strategies.

The slower pace of hostile takeover activity is just one symptom of this phenomenon. In addition, the higher prices on leveraged buy-outs by specialist-created companies appear not to hold the attraction of the past. It seems that only exceptional circumstances will allow any of these deals to go ahead.

Stephen Fidler assesses senior debt and mezzanine finance

Sharp drop in appetite of international banks

THE APPETITE of international banks for senior debt in mergers and acquisitions has dropped considerably over the past year. Across a broad front, banks perceive higher risks in this type of lending than they did a year or two ago.

It remains possible to use debt in such transactions but banks now only seem willing to consider conservatively-financed transactions put together preferably by blue-chip companies. On both fronts, high-priced leveraged buy-outs by special purpose companies would appear to be acceptable only in exceptional circumstances.

For the best-known companies, however, it still remains possible to raise funds at highly-aggressive interest rate margins. The market for syndicated bank credits has become more like the bond market: the best credits can almost name their own terms, while many second-tier borrowers have difficulty raising finance at any price.

The reason for this has been a widespread questioning by many banks of the reasons to lend to such borrowers. This has had an impact on many bank lenders in continental Europe as well as on Japanese banks. Japanese banks face their own special constraints, born in part out of the tougher envi-

ronment they face at home and in part because of their poor experience on many existing loans.

The weakness this year of the Japanese asset markets has reduced their banks' ability to raise cheap capital and raised worries about the quality of their assets - in the area, for example, of real estate lending. Write-offs of loans to lesser-developed countries has accentuated the pressure on capital.

All this reflects, if not a world-wide credit crunch, a reversal of the spectacular

growth in the Tokyo stock market earlier this year, bringing about an increasing concern among lenders about credit quality.

That reaction is not only reflected in a growing unwillingness of banks to lend for transactions seen as speculative or highly-leveraged, but also a growing aversion for companies to risk their own future by taking on debt.

Although a handful of the main arranging banks have certainly lowered their profile in the corporate lending mar-

ket, the real impact has followed from the change in behaviour of a lot of smaller banks. These banks provided the underpinning for many aggressively-priced deals in the 1980s.

Now some of these deals have hit credit problems, and the smaller banks are finding themselves too far down the pecking order to gain any business from the relationships with the corporate borrowers.

This has hit the climate for general syndication of transactions. It is not only in the M&A area that heightened caution among banks is becoming

Banks are reassessing credit strategies at a time when some companies are going into technical breach of their lending covenants

credit growth that spawned the M&A boom in the US and UK and the land and stock price boom in Japan.

One element of this has been a growing awareness - reflected in the rise in long-term interest rates in most industrialised countries over the last year - that there is a worldwide shortage of savings and that the demand for these savings has - particularly with the emergence of eastern Europe - increased.

The reaction to what in retrospect was a period of excess has now set in, reflected in the demise of the US junk bond market and the sharp correc-

tion in the Tokyo stock market earlier this year, bringing about an increasing concern among lenders about credit quality.

That reaction is not only reflected in a growing unwillingness of banks to lend for transactions seen as speculative or highly-leveraged, but also a growing aversion for companies to risk their own future by taking on debt.

Although a handful of the main arranging banks have certainly lowered their profile in the corporate lending mar-

ket, the real impact has followed from the change in behaviour of a lot of smaller banks. These banks provided the underpinning for many aggressively-priced deals in the 1980s.

Now some of these deals have hit credit problems, and the smaller banks are finding themselves too far down the pecking order to gain any business from the relationships with the corporate borrowers.

This has hit the climate for general syndication of transactions. It is not only in the M&A area that heightened caution among banks is becoming

plain. Banks are reassessing credit strategies at a time when some companies are going into technical breach of their lending covenants. These covenants, covering ratios such as debt to equity or interest cover to cash flow, can often be easily waived, but not if a bank decides it is an opportunity to withdraw from a syndicate.

This has thrown up some of the drawbacks of the syndication process - the need for unanimity among lenders. It has prompted some companies - for example RTZ - to arrange their own credits bilaterally with a large number of banks. In other examples, banks have swallowed an entire credit that previously would have been syndicated among a small group of banks in so-called club deals.

Given the reassessment of senior debt, it would be natural to assume that mezzanine debt - a layer of obligations ranking between the senior debt and equity - had fallen completely from favour. However, this is only partly true.

Certainly, the appetite from banks to commit large sums to mezzanine debt has shrunk considerably. Banks, though, are not the only providers on such loans. Specialist mezzanine funds and other lenders with balance sheets less leveraged than banks - for example, subsidiaries of Prudential Insurance of the US and General Electric Credit Corporation - remain as potential sources of such finance.

None the less, the amount of mezzanine debt that can be built into such transactions will be significantly below the peak reached in the late 1980s. Takeover of the Gateway supermarket group, which incorporated \$750m of mezzanine. The ill-starred leveraged buy-out of the Magnet group incorporated \$190m of such debt. The emphasis in the UK, where the mezzanine market grew first and fastest, also seems to have switched more towards continental Europe amid the expected continuation of corporate restructurings as Europe moves towards the single market in 1992.

Deborah Hargreaves on derivative products

Europe's wariness eases

panies are much more sophisticated about using forward foreign exchange contracts and more recently, currency options, to manage their currency exposure while US corporations are more active in interest rate hedging.

Interest rate management is particularly important in today's environment where high interest rates are crippling many UK companies. High interest rates have encouraged many UK companies to start looking at hedging their risk with some fixed rate exposure gained through the swap market in the same way that US corporations have done for years.

The market for interest rate swaps is one of the most innovative financial instruments to be developed in recent years. It has grown from its modest beginnings at the start of the 1980s into a \$1,900bn business today as its use has spread into the most conservative US companies.

UK companies are increasingly taking the view of their US counterparts by taking an overall look at their interest

rate exposure in an effort to divide their risk between fixed and floating rates. They can do this by making a swap - usually with a bank - out of a floating interest rate on part of their debt into a fixed rate.

This strategy is called a collar and involves buying a cap from a bank that would lock in a fixed rate of interest payment at 15.5 per cent - for example - so that if interest rates rise, the company would not pay a higher rate than 15.5 per cent. At the same time, it could sell a floor at 12 per cent. The sale of the floor would pay for buying the cap, but if interest rates were to fall below 12 per cent, the company would be paying for the length of its swap.

Nevertheless, the collar described would be a way of limiting interest rate exposure so that a company never paid a rate higher than 15.5 per cent and never one lower than 12 per cent - for the life of the swap. In essence, the swap market gives companies a chance of betting on which way interest rates may move.

European companies have

made a lot more use of the opportunities available for hedging their currency risk since they have been more exposed to the fluctuating exchange rates of different currencies. This is a procedure that US companies are just beginning to learn.

In Continental Bank's Journal of Applied Corporate Finance, Merck & Co, the world's largest pharmaceutical company which is based in the US, describes its moves to hedge currency exposure in the approximately 40 currencies in which it receives its revenues.

The company found that the need to hedge against exchange rate volatility was pressing since 12 per cent of its sales come from overseas with nearly half of its assets located outside the US. In the absence of a hedge against its exposure, Merck was finding exchange rate fluctuations were affecting its ability to carry out its strategic plan while increasing continuous expenditure on research and development.

In the end, the company decided to use currency options rather than forward contracts, foreign currency debt and currency swaps since options gave it the chance to benefit from a weaker as well as a stronger dollar. Merck developed a computer plan for managing currency exposure that involved a partial hedge

for several years using long-term options to protect cash flow.

Merck decided to use a fairly straightforward currency hedge which will act as a kind of insurance policy against wild exchange rate fluctuations.

Commodity hedges are an area which has been growing in popularity and accessibility in the past six months as smaller companies have looked to cut their risk which they would previously have done nothing about. Mr Sullivan at Continental Bank says the bank is now offering over-the-counter hedges which provide long-term protection from changing commodity prices.

Mr Sullivan says that many UK companies have traditionally thought of hedging as a way of "getting it right or getting it wrong", when they look back at their past action in the markets. However, he says, the process should be thought through a lot more carefully than that, since timing is the most important part of a hedging decision.

But, aside from long-term hedging and risk management, several innovative companies have made a lot of money out

of the options market when they are in the process of preparing a takeover bid. If a company is buying stock in the market in advance of making a bid, it can supplement its income by writing as many put options as it can, as long as it fixes a price below the bid price. This means it can add the payment it receives for the premiums on the options it sells to offset part of the cost of a takeover bid.

However, there is a drawback in using the options market too widely in this respect since this sort of activity in options is tantamount to declaring an intention to make a bid.

But, aside from long-term hedging and risk management, several innovative companies have made a lot of money out

of the options market when they are in the process of preparing a takeover bid. If a company is buying stock in the market in advance of making a bid, it can supplement its income by writing as many put options as it can, as long as it fixes a price below the bid price. This means it can add the payment it receives for the premiums on the options it sells to offset part of the cost of a takeover bid.

However, there is a drawback in using the options market too widely in this respect since this sort of activity in options is tantamount to declaring an intention to make a bid.

THE FLOTATION AND MERGERS & ACQUISITIONS EXPERTISE OF ARBUTHNOT CORPORATE FINANCE LIMITED IS SPECIFICALLY TARGETED AT GROWING COMPANIES

FOR A COPY OF OUR NEW BROCHURE PLEASE CONTACT: ADRIAN BRADSHAW MANAGING DIRECTOR



ARBUTHNOT

131 Finsbury Pavement, London EC2A 1AY Telephone 071-628 9876 Facsimile 071-280 8498

A Member of The Securities Association

COMMERCIAL MORTGAGES

JAPANESE MORTGAGES AND ALL CURRENCY MORTGAGES

9% .25 APR MINIMUM LOAN £500,000

Licensed Credit Brokers

TELEPHONE 0245 496767

Andrews-Green FINANCIAL SERVICES

The Sterling equivalent of a currency mortgage may also be convenient where the Sterling is required.

Written details on ALL schemes upon request

THE EUROMONEY INSTITUTE OF FINANCE

INTENSIVE RESIDENTIAL TRAINING COURSES IN CORPORATE FINANCE

◆ MEMBERS & ACQUISITIONS 27-30 September, 1990, Conference Facilities, London Business School or 24-27 November, 1990, Black Horse House, Reading University

◆ CORPORATE FINANCE 16-21 July, 1990, Lister House, Buckinghamshire

◆ HOW TO VALUE & RESTRUCTURE THE CORPORATION 27-30 October, 1990, Rylands Hall, Oxford

For more information on the above courses, please fill in the form, and return to the address below:

Name: _____ Position: _____

Company & Address: _____

City: _____

Postcode: _____

Daytime Tel: _____ Fax: _____

Evening Tel: _____

Telex: _____

Post: _____



7,500-27,500 sq. ft WITH CAR PARKING

GROUND, FIRST & SECOND FLOORS

EITHER SEPARATELY OR AS A WHOLE

IMMEDIATELY AVAILABLE

SOLE AGENTS

Jones Lang Wootton

100 Abchurch Lane, London EC4N 3DF

071-638 6040

Janet Bush on the outlook for junk bonds

Only the very brave or foolhardy will invest again

THERE is virtually no sign that the high-yield junk bond market has begun to recover from the succession of catastrophic bouts of selling over the past nine months and there are numerous reasons which suggest that it will be a long time until it does.

Since its peak value of an estimated \$220bn, the junk bond market has shrunk dramatically. It is extremely difficult to get accurate values for the market now, partly because many issues are illiquid and have seen virtually no trading since the market first collapsed last September, but estimates suggest that it is now worth only between \$120bn and \$160bn.

New issuance of junk bonds in the public market has slowed down to a trickle. According to figures provided by Securities Data Co, only four new junk issues have come to market with a total value of \$382m compared with 46 issues totalling \$11.35bn in the same period last year.

While there has been a great deal of talk about new non-traditional junk buyers coming into the market, this has been small-scale and nowhere near enough to counteract the continued selling by thrifts, insurance companies and mutual funds.

About the only area where any activity has surfaced has been in the private placement market, once the traditional place to raise mezzanine financing for leveraged buy-outs and to raise funds for emerging, speculative companies which were not readily acceptable credits in public bond markets.

Most of the activity seen so far in the private placement market has involved the refinancing of bridge loans. It has been virtually impossible to convert these temporary loans into permanent financing through the issue of junk bonds in the public market but some relatively small issues are now being done in the private placement market. One recent example was a \$300m junk offering for Calder, the largest high-yield issue to be done in the private market this year.

The advantage of the private placement market is that deals can be negotiated directly with investors and structured spe-



cifically to their requirements. However, according to one investment bank specialising in the private placement market, it is very rare to sell a junk bond issue without the inducement or protection of a slice of equity and investors are extremely selective. The private market is averse to

While there has been a great deal of talk about new, non-traditional junk buyers coming into the market, this has been small-scale and nowhere near enough to counteract the continued selling by thrifts, insurance companies and mutual funds

doing complex structures and some of the wider forms of junk bonds such as Pay-In-Kind bonds which pay interest in more paper rather than cash.

The public market is still severely depressed and faces numerous obstacles to even a partial recovery.

"The public market will make some people some money from trading but I don't see any new public junk in the foreseeable future," said Mr Neil Powell, president of corporate finance boutique Shea Pashall & Powell.

"Some well-intentioned, well-structured deals which should be done won't be because the public market is too closely associated with the excesses of the 1980s. The private market will pick the ones it wants to do."

The only substantial source of buying comes from corporate junk issuers themselves who are in the process of "deleveraging" by buying back

their own junk debt at current depressed prices.

However, this does not bode well for the market because some of the highest quality issues are being taken out of the public arena, leaving a rumour of only the most speculative and in many cases troubled junk. Only companies which have a relatively healthy cash flow can afford to embark on these buy-back programmes.

The leading traditional buyers of junk bonds are out of the picture. Thrifts, the most enthusiastic members of Mr Michael Milken's Drexel Burnham Lambert junk bond-buying network, have been mandated to dump all their holdings by 1994. This means that there will be steady selling pressure.

The Resolution Trust Corp, set up to take control of troubled thrifts, is already the largest

bond holdings.

On top of this dearth of buyers is the prospect of many more defaults of companies who cannot pay the interest on their piles of junk debt. Defaults are expected to exceed previous records and 1990 is likely to see more and more distressed junk in the market.

In the days before Drexel Burnham Lambert collapsed, companies could buy time by arranging exchange offers in which bondholders were persuaded to accept less attractive terms on their paper to avoid default or bankruptcy.

But a court ruling in January means that exchange offers are probably a thing of the past. The judge said that bondholders who had agreed to a swap would only recover the lower value of the securities they received if the company filed for bankruptcy. Without the buffer of the exchange offer, companies who cannot pay their interest will quickly resort to the protection of the bankruptcy court.

At the most fundamental level, the junk bond market is likely to suffer for a long time from the backlash against debt-financed hostile takeovers. Commercial banks burdened with troubled loans for highly-leveraged transactions have become much more cautious about lending for this purpose so interim financing will be much more difficult to come by.

Investors, promised stellar yields which far outweighed their risk, have been badly burned and only the very bravest or foolhardy will invest in junk again.

est single holder of junk bonds in the US with an estimated \$2.7bn portfolio, a substantial supply overhang which is likely to get substantially larger.

There is now a cloud hanging over insurance companies, the other main class of former junk bond buyers. Unlike thrifts, most insurers have escaped having to value their junk portfolios to current market prices which means that deeply-discounted holdings have not affected their capital position as gravely as with many thrifts.

However, the National Association of Insurance Commissioners is taking steps to tighten the rules. Last month the Association came up with a new system for rating bonds which is likely to mean that insurance companies have to raise their reserves. This could be extremely damaging from some companies with very large, deeply depressed junk

Deborah Hargreaves looks at the international equity market

Growth expected in Europe

"WE SPEND some time debating whether we have a global equity market or a lot of domestic markets working together and becoming more international in their outlook," says Mr Michael Watson, executive director for equity new issues at Daiwa in London. "I suspect it's the latter."

The nascent international equity market has faced a tough time amid the turbulent stock market activity so far this year. Truly global stock issues have been few and far between and the pricing and size of international issues are still controlled by conditions in the domestic market.

The international equity market grew on the back of the bull market in the early 1980s when a variety of companies with overseas ambitions saw it as a quick way to raise cash. In the euphoria that dominated stock markets ahead of the 1987 crash, foreign investors would buy virtually anything.

The market was brought up sharply by Black Monday when investors around the world shed their international holdings as quickly as they could. In the chastened climate that followed the crash, new issues of international equities dropped from \$8.8bn in the third quarter of 1987 to \$1.3bn in the fourth, according to the Bank of England.

The stock market crash heralded a difficult period for international equity offerings and activity was depressed throughout the following year. The market did not begin to show signs of a pickup until last year when the primary market reached a level of \$14.9bn - although this was still below the 1987 level.

A review in the Bank of England quarterly bulletin suggests the crash did not reverse

a long-term trend towards international portfolio diversification and increased issues of international equity. While this remains the case, companies are much more interested in making international equity placements when their own stock markets are buoyant.

The fact that stock markets around the world rose for most of last year was a key reason for the improvement in the international equity market, the Bank of England points out. At the same time, the increase in the number of privatisations last year boosted international equity issuance.

The recovery in the new issue market has been slowed by the volatility that has affected world stock markets - particularly Japan - in the first half of this year. Japanese investors were keen enough to buy anything European while their own market was healthy - manifested by their passion for single country funds - but bailed out amid the uncertainty in Tokyo early this year.

The early part of this year has been characterised by a steady flow of medium-sized issues out of the US where companies have been more leveraged through the 1980s and are more prepared to issue equity at prevailing prices that companies in other parts of the world may feel are too low.

But there are signs that European companies are again looking at issuing equity on the international market. The issue of 4m B shares by Atlas Copco, the Swedish heavy equipment maker, in late May continued the interest felt by Scandinavian companies in overseas share placements. Kvaerner, the Norwegian mechanical engineering firm, raised Nkr1bn earlier in the year and Hultemaki, the Finn-

ish confectionery and pharmaceuticals firm is considering an offer.

Atlas Copco which raised \$125m with its offering, placed 20-25 per cent of the shares in the US as the first placement of equity in the newly-liberalised professional market created by the Securities and Exchange Commission with its rule 144a amendments. The private placement rules make it much easier for medium-sized European companies to include the US as part of an international share offering since they will not have to adhere to the onerous SEC registration requirements.

A similar development took place in Japan when Daiwa pioneered the concept of a Public offering without a listing (Powi) in a bid to sell UK water shares in the country. Before Tokyo's recent bout of severe volatility, Japanese brokerage houses saw a lot of interest among small to medium-sized European companies - those that were not interested in the visibility of a Tokyo listing - in making a Powi.

So far four Powi issues have been made: Coastal Corp, the US oil explorer, raised \$86m in October last year which was followed by the privatisation of the UK water companies which raised \$380m. In December, Polygram, the record company, part-owned by Philips of the Netherlands, placed stock worth FL189m and Maxwell Communications raised \$70m.

The difficulties for an issuer in taking one of these less visible placement routes is that the shares may flow back fairly swiftly to the home market. This would negate one of the prime aims of making an international offering which is a bid to broaden a company's investor base.

Flowback has always been a problem for companies considering an international equity placement and it highlights the need to make adequate preparations for a share offering. In today's chastened climate, the easiest shares to sell are those that have a story attached to them and are easily understood in the country where they are being placed. Companies planning an offering are advised to put a lot of effort into roadshows and marketing in a bid to make themselves known abroad.

At the same time, the more difficult market conditions have encouraged underwriters to change the way they structure syndication of international equity issues. In the past, flexible syndication methods meant that underwriters could sell their shares anywhere, allowing equities to flow where demand was greatest. This resulted in many shares ending up with large institutional investors in London.

Increasingly, placements are based on the "ring fence" method whereby the lead manager of an issue organises a syndicate for each region or market in which shares are to be sold. This gives the lead manager more control over placement since syndicate members are not allowed to sell their allocation of shares outside the country or area allotted to them.

Although the international equity market faced some difficulties early this year, there is no reason to write it off. In fact, it is likely to experience strong growth in Europe in the run-up to the single market in 1992 although the strength of the international market will continue to be tied to buoyancy in domestic markets.

VENTURE CAPITAL INDUSTRY

More money than it can usefully invest

FLUSH with funds raised before management buy-outs fell out of favour the British venture capital industry began the 1990s with more money than it could usefully invest.

British venture capital funds raised a record \$1.7bn in 1989, more than twice the amount in any previous year. Much of this money had been committed by investors before rising interest rates and a downturn in consumer demand started to hit high-profile furniture and furnishings buy-outs such as MFI, Lowndes Queensway and Magnet in the middle of 1989.

There has been no slowdown in the volume of smaller, more conservatively financed buy-outs but the larger, more speculative deals have been killed off by the economic slowdown. So, recent months have seen the venture capital industry casting round to find new outlets for its money.

Some funds have decided to increase their commitment to early-stage and start-up finance - though such deals are time-consuming and traditionally have absorbed only relatively small amounts of money. Britain's largest venture capital group, 3i, plans to increase start-up spending from \$80m in 1989 to more than \$100m this year.

Other venture capitalists have responded by backing ambitious start-ups in low or no-technology areas of business. Electra Kingsway arranged a \$25m initial financing package for Perseus Hotels which was launched earlier this year with the aim of establishing a chain of 30 mid-scale hotels.

Others have turned to financing buy-ins - a derivative of the buy-out in which outside managers, rather than take incumbent management, are recruited to put together a new company. Buy-ins are more difficult to recruit because managers must be well-paid, secure jobs, and put into a company with which they are not familiar. If the combination works then the returns are usually higher than buy-outs but the risks of failure are greater.

Increasingly buy-ins are being seen not as an end in themselves but as the first stage in the creation of international networks of compa-

nies. Once the buy-in company has been shaken up, its managers will undertake acquisitions designed to broaden the company's range or give it a Europe-wide presence.

For example, James Neill Holdings, a Sheffield-based tool-maker over which MNG Patricof, a British venture capital firm, acquired control last year, has bought a West German company in the first of a planned series of European acquisitions.

At present venture capital statistics do not distinguish between buy-outs and buy-ins but in 1989 both types of deal

Recent months have seen the venture capital industry casting round to find outlets for its money

accounted for 61 per cent of the value of all investments made by members of the British Venture Capital Association and for 36 per cent of deals by number. Both sets of figures represented an increase on 1988 when 56 per cent of funds and 21 per cent of deals by number involved buy-outs or buy-ins.

Start-ups and other early-stage investments by the association's 24 members also increased last year, accounting for 15 per cent of the sums invested (10 per cent in 1988) and 38 per cent of deals by number (38 per cent). With early stage deals and buy-outs/buy-ins increasing their share of venture capital activity, this led to a contraction of the share of "expansion investments" from 31 per cent of investments by value to 22 per cent and from 47 per cent of deals by number to 35 per cent.

The continuing dominance of the industry's statistics by buy-outs and buy-ins partly reflects the growing importance of buy-ins as a distinct category. The 1989 figures also still reflect the high levels of buy-out activity in the early part of the year with the impact of the decline in the number of large buy-outs only showing through in 1990.

As part of their search for new sources of deals many venture capital funds in London and the south-east of

England have increased their activity in other regions. Some have established local offices in the north and the Midlands while others have increased the scale of their investments in regionally-based funds. Most spectacular was the increase in activity in Scotland which accounted for 16 per cent of all investments by value last year compared with just 6 per cent the year before.

Even more important has been the increasing internationalisation of the UK funds, in both the sourcing of their finance and the targeting of their investments.

For example, Electra Investment Trust completed the raising of a \$486m fund - known as Electra Private Equity Partners - in February. Other investors in this fund included Crédit Commercial de France, General Electric Pension Trust of the US and The Industrial Bank of Japan. This fund will invest throughout Europe in large-scale development capital ventures, corporate restructurings, privatisations, buy-outs and buy-ins.

Globe Investment Trust, meanwhile, is attempting to raise a £300m-£300m (£150m-£200m) fund jointly with Cie Financière de Suez, a French financial group, and Mercapital, a Spanish investment bank, although Globe is fighting a hostile takeover bid.

Japan has proved a powerful magnet for UK-based funds despite the relative infancy of venture capital in that country. 3i announced in April that it had established a link with The Industrial Bank of Japan to form a venture capital company in Japan. In the same month Schroder Ventures completed the raising of £27.5m for its second Japanese venture capital fund.

The more entrepreneurial venture capitalists are responding to changing market conditions in a variety of ways. The less innovative funds may find it harder to diversify and continue to provide the returns expected by their investors. For those funds which are unable to re-define their role the answer may lie in mergers with more active partners or a quiet withdrawal from the venture capital scene.

Charles Batchelor



IF YOU'RE
SELLING
A COMPANY,
HERE'S OUR
OFFER.

Kentucky to yearlings, Amsterdam to diamonds, Sotheby's to art, Andersen's to companies.

The fact is, if you want the very best deal, Surrey Street, London is where the buyers are.

They come from some of the most successful and acquisitive companies in the world. Our clients.

(And, as you'd expect from one of the world's leading accountants, from among our many worldwide friends and acquaintances.)

We look at your disposal, however complex,

and work out the best packaging of its assets.

We do this with the imagination you'd expect from specialists who do nothing else.

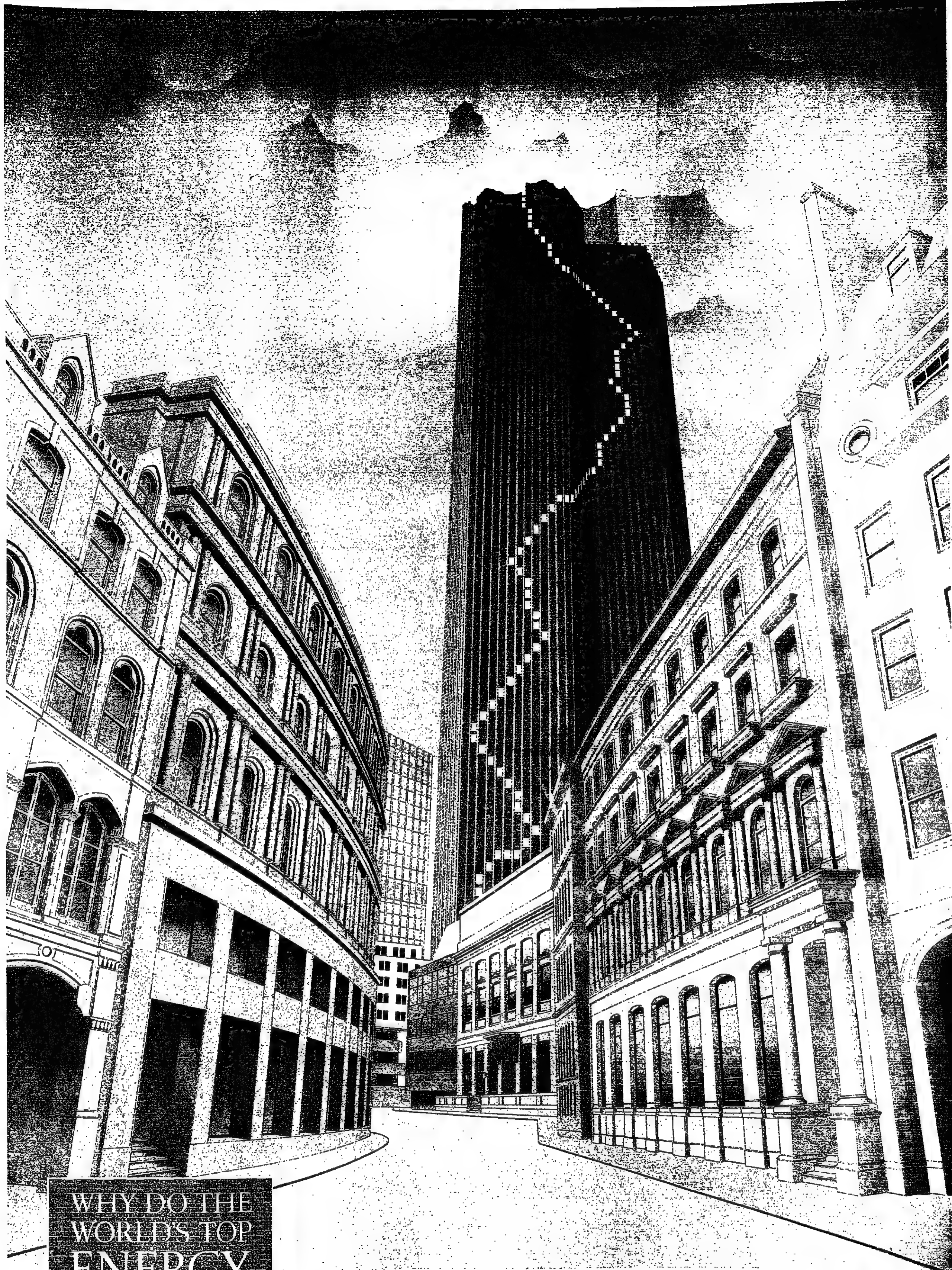
But what may surprise you is the speed with which we'll turn the deal round.

With deals in excess of £2 billion completed last year, more than 20 of which we led ourselves, it's rather more high street than Bond Street. Call Michael Oaten at 1 Surrey Street, London on 071-438 3118. Or call the Managing Partner at our European office below.

ARTHUR
ANDERSEN
& CO

Chartered Accountants

ANTWERP, ATHENS, BRUSSELS, COLOGNE, COPENHAGEN, DUBLIN, FRANKFURT, LISBON, LONDON, MADRID, MILAN, OSLO, PARIS, ROME, STOCKHOLM, THE HAGUE, ZURICH



WHY DO THE
WORLD'S TOP
ENERGY
COMPANIES
CONDUCT THEIR
BUSINESS THROUGH
NATWEST?

Our philosophy is simple - strike first and strike fast.

Take, for example, the \$4.15 billion purchase of Texaco Canada by the Exxon affiliate, Imperial Oil.

When NatWest were invited to underwrite more than \$400 million it took our Energy and Natural Resources Unit just hours to give Imperial Oil the go ahead - a

lightning reaction but typical of the way we work.

Since 1973, when we financed the first North Sea oil field, we've pioneered some of the energy industry's most creative financing structures.

It's this combination of speed and innovation, backed by a strong balance sheet, that's helped us build

lasting relationships with the world's top ten oil companies.

If you'd like to discuss your own financial arrangements, Theo van Hensbergen on 071-920 5234 will be happy to put you in touch with one of our experts.

Whenever your business requires experience, speed and initiative, we'll be in our element.

NatWest

Corporate Finance

John Hensbergen

John H. ...

BELGIUM

Monday, June 18, 1990

● EMS move shows "sick man of Europe" is back on his feet Page 2

● The phone system starts to get a little nimbler Page 4

SECTION IV



The Grand Place, Brussels



As tensions between the country's two main language groups have eased, Belgium has enjoyed

political stability in the past couple of years. But, writes Tim Dickson, worries about the burden of its unreformed public sector and high level of indebtedness persist

A new sense of stability

BELGIUM SHOULD perhaps be dubbed Europe's "lucky country."

Crossroads of the common market, host to the European Community's main political institutions, this nation of 10m inhabitants has attracted wealth and investment in the last few years out of all proportion to its modest size.

The original "lucky country" - Australia - became prosperous by digging minerals from the ground. Geography, not geology, is suddenly making the Belgian people enviably rich.

To suggest that there has not at the same time been individual effort and sacrifice would of course be ridiculous in the light of the impressive economic transformation and much improved international competitiveness which Belgium has achieved in the last decade.

Some sections of society, moreover, are missing out on the bonanza. Recent strikes in the public sector, notably by teachers in the French-speaking areas of Wallonia and Brussels, are a timely reminder that the fruits of success are not being evenly distributed.

Overall, however, Belgium seems to be blossoming and

the "1992 effect" - lavish commercial and residential developments in Brussels are among its most visible manifestations - is playing an important part. Most of the main economic indicators are looking good, linguistic squabbles no longer dominate the political agenda, and even the embarrassing constitutional crisis over abortion which saw King Baudouin stepping off his throne for a day seems to have passed without serious repercussions.

Looking ahead, though, Belgium still faces a number of uncertainties: economic and political problems that have yet to be resolved.

● Can the huge burden of public debt accumulated in the 1970s and early 1980s - at between 120 and 130 per cent of GNP the country's biggest structural impediment - ever be cut to more normal levels?

● Is the country's bloated and inefficient public sector capable of reform in time to meet the competitive pressures of the single European market?

● And where is the path of federalism finally leading this culturally divided country?

Not the least of the changes wrought by the centre-left coalition of Mr Wilfried Mar-

tens - his eighth government in an almost unbroken run of 11 years at the top - is a marked "cooling" of community passions. Two years ago when the 54-year-old Prime Minister was sworn in, tensions between Flemish and Francophones were still running high, exacerbated by the unsettling antics of a village mayor.

Today no major linguistic disputes threaten the five-party coalition. Indeed, now that the controversial abortion legislation is safely out of the way - an issue which touched on Belgium's other "fault line", that between Catholics and non-Catholics - the present Government stands a good chance of surviving its full term until the end of next year.

This new sense of stability can be attributed largely to the state reforms introduced last year, which appear to have taken the sting out of Belgium's linguistic rivalries. Following on from the first tentative steps towards a decentralised political system in 1970 and 1980, a wide range of new competences and 40 per cent of the country's budget were attributed to the regional governments (and communities), with Brussels achieving the status of a proper region for the first time.

The process has transformed a unitary state which was always predominantly Francophone into a country whose distinct and increasingly assertive Flemish population can control its own destiny.

How much further decentralisation has to go is one of Belgium's big imponderables. No-one much expects the promised third stage of the current reforms to be completed until well after the next elections - but when it is finally tackled the issue may not just be what to do about the Senate but whether other competences (eg social security) should be handed over to the regions.

Federal Belgium will take natives as well as foreigners some years yet to fathom and to some it seems a wasteful extravagance. Against the costs of having an extra administrative tier in an already overbureaucratic country, however, the budget implications of regional responsibility

should not be forgotten.

Before last year public spending tended to be swelled by the need to match investments in one part of the country with equivalent expenditure in the other. It is no accident that because Flanders and Wallonia must now look after themselves, the Flemish Government has finally closed the loss-making Kempen coal-mines, while the Francophone Community (responsible for running education in Wallonia and much of Brussels) is currently taking a tougher line than previous education ministers would have done with the striking teachers.

The legacy of the spending needed to keep the peace between North and South can be seen today in a vast BF7,000m pool of public debt - the major blot on Belgium's economic landscape.

Most of the other important economic indicators, by contrast, are encouraging, ending the decade in a better position than the relevant EC averages. GNP growth advanced more than 4 per cent in 1988 and 1989 - spurred by strong export demand, revived consumer spending and healthy levels of investment in housing by individuals and in fixed capital by enterprises.

Inflation remains well under control - though the rise from 1.2 per cent in 1988 to 3.1 per cent in 1989 caused some anxieties - while the current account surplus on the balance of payments according to the National Bank rose by BF20bn to BF150bn last year (more than 2 per cent of GNP).

Unemployment fell in 1988 when the private sector created 46,000 jobs, 5,000 of them in industry, but the rate remains high by international if not by EC standards. An International Monetary Fund report last month pointed to "structural weaknesses" in the labour market, and criticised "a deficiency in training efforts" and "the open-ended nature of unemployment compensation."

The biggest short-term challenge for Mr Martens is whether he and his ministers can find the BF70bn to BF80bn of public spending cuts required to keep the 1991 budget deficit below this year's target (a political commitment

made when the Government was formed). Achieving this will be important for the financial markets, which still need assurances that Belgium is serious about melting away the dreaded "snowball effect" (the phenomenon whereby extra borrowings have to be raised simply to pay off the interest on existing debts).

Reaction to last month's announcement that the National Bank intends to reinforce its strong currency policy by more closely shadowing the D-Mark inside the European Monetary System has so far been positive - but any perceived weakness in next month's budget negotiations will risk undermining Belgium's hard-fought battle for credibility.

The debt problems - "We'll need 16 years of redressment - it's a terrible lesson," says Mr Martens - are not making preparations for 1992 any easier. This is most notable in the area of tax reform where some steps have been taken to ease the burden on companies and individuals but where the scope for manoeuvre is limited, especially with tax receipts rising more slowly than GNP.

Foreign companies and expatriates enjoy considerable privileges - but the result is that locals who do not join in the national sport of tax "avoidance" bear the brunt.

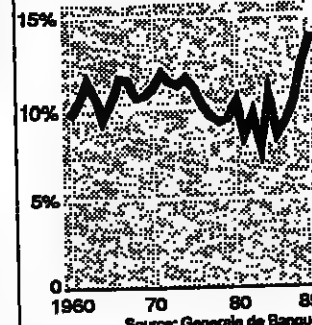
Belgium's public sector, meanwhile, is badly in need of a shake-up. It is getting it to some extent via legislation to make such public enterprises as the heavily criticised telephone monopoly more responsive to market pressures - but the feeling remains that public servants are too numerous and (particularly at the top) badly underpaid. This is a legacy of the late 1970s and the first half of the 1980s when the rise in public sector employment compensated for half the job losses in the private sector.

In a country where "social consensus" and "negotiated Socialism" are still alive - and where "privatisation" and "thatcherism" are for most people dirty words - the prospect of root-and-branch reform looks slim. It is Belgium's luck that, while growth remains strong and Brussels remains the centre of things, it does not really matter.

IN THIS SURVEY

Business investment

As a % of domestic spending



Source: Generale de Banque

■ Economy: back on the rails

■ Profile: Luc de Brabandere, bourse managing director 2

■ Profile: Charles Picqué, Brussels region chief minister

■ Profile: vice premier Jean Luc Dehaene - widely tipped to succeed Martens 3



■ Profile: Wilfried Martens (pictured above) a new modernising image

■ Telecoms market deregulation: don't ring us ...

■ Links with former colony: firm line on Zaïre 4

■ Tax reforms plea to the International Monetary Fund

■ Profile: opposition leader - an economic Cassandra 5

■ Regional reform: sums do not add up

■ The monarchy

■ Key facts/Map

■ Tourists' Waterloo: 175th anniversary 6

Editorial production: Gabriel Bowman

BANK YOUR EUROBUSINESS WITH US NOW

BBL

BANK BRUSSELS LAMBERT SERVES YOU IN THE FOUR CORNERS OF THE WORLD, ROUND THE CLOCK. FROM LONDON, NEW YORK, SINGAPORE, TOKYO, BRUSSELS, GENEVA, LUXEMBOURG, MADRID, MILAN, PARIS... TWENTY THOUSAND EUROBUSINESSES AND THEIR MANAGERS DEAL WITH US EVERY DAY. JOIN THEM. TO-DAY. ANY DAY.

BBL IS A EUROPEAN BANK HEADQUARTERED IN BRUSSELS, PHONE 517 2111, FAX 517 3844, TELEX 21421.

BELGIUM 2

The economy is back on the rails, writes Tim Dickson

EMS move enhances BFr

SIGNALS FROM Belgium's National Bank that the franc is to be pegged more closely to the D-Mark puts an appropriate seal on eight years of economic recovery.

The message to international financial markets from this discreet but well-timed disclosure last month was that the "sick man of Europe" is firmly back on his feet.

It seems willing and able to run a strong monetary policy and look his Dutch and West German neighbours confidently in the eye.

Anchoring Belgium's economic and monetary policies to those of Bonn, via the narrow 2.5 band of the European Monetary System, has already helped shrink the inflation differential between the two countries from 4.5 percentage points at the end of 1982 to less than 1 percentage point last year.

It also narrowed the short term interest rate differential

from more than 6 per cent in 1984 to an average 1.7 per cent in 1989.

By following the Dutch example, and keeping within a half-point margin of the strongest EMS currency, the hope in Brussels is that the "risk premium" which Belgium is forced to pay in short term interest rates can be further reduced in the medium term.

The country's public debt of BFr7,000bn explains why this is so important. Running at more than 130 per cent of GNP, it is a burden far higher than any endured by Belgium's main international competitors.

A high proportion of this

debt is in short term borrowings so that interest charges and Government finances are highly sensitive to movements in short term rates.

Not for the first time the annual budget negotiations in July will be a crucial test of the Government's credibility with the financial markets.

In order to stabilise public debt and reverse the "snowball effect" caused by new borrowings being used to pay interest on existing loans, the present coalition agreed to work within a double straitjacket when it came to power in mid-1988.

Firstly, public spending, with the exception of interest rates, was to be frozen in real

terms. Secondly, the annual budget deficit was not to exceed the nominal budget deficit of the previous year.

Applying the first "norm" would mean a deficit of about

Wage costs in Belgium are generally in line with the country's leading competitors

BFr470bn. Conforming with the second will involve an additional cut of BFr70bn in spending so as not to exceed the BFr405bn target for 1990.

How this can be achieved:

whether the Government will be prepared to make genuine economies; and whether the banks will be required to make some concessions on rescheduling are the forerunning political questions in Belgium at the moment.

The third option is favoured by the Socialist parties in the coalition, although it is hardly calculated to help Belgium's credit rating.

Warnings have been sounded by the IMF, the OECD and in a recent bulletin from Générale de Banque that the 1991 budget negotiations will be difficult to resolve without touching the country's social security budget.

At BFr470bn, this amounts to about half Belgium's public spending before interest costs. The other critical event looming on the horizon is the autumn wage round between the social partners, the outcome of which determines the "going rate" for real pay increases over the next two years. The inflation adjustment is automatically considered.

Fears of resurgent wage inflation, and the impact that might have on interest rates, have been reflected in warnings from Mr Alfons Verplaetse, the high-profile governor of the National Bank, that union demands above 2½ per cent would be too high.

Analysts point out that a global wage accord effectively turns into a national minimum and that the overall cost of wage increases turns out higher as successful firms pay more. But apart from these worries, the economic outlook in Belgium remains positive.

Kredietbank's latest forecast is that real GNP growth will slow in 1990 to about 3.3 per cent after exceptional growth rates in 1988 and 1989 of 4.2 per cent and 4.6 per cent respectively.

Increases in real disposable income, helped by growth in employment and tax reductions, has been reflected in increased private consumption.

Rising mortgage rates may dampen brisk activity in the construction sector, but corporate investment looks likely to remain the main economic engine this year.

Générale de Banque expects companies to increase investment by 11 per cent in real terms, giving a 1 per cent boost to employment numbers.

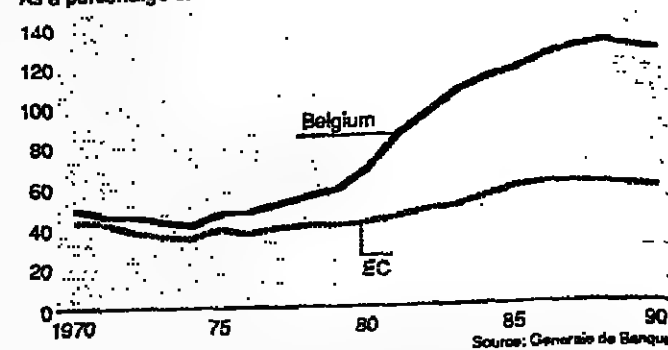
This indicator is one illustration of the big improvement in the supply side of the Belgian economy in the second half of the 1980s. Total investment, which fell from a peak of about one quarter of domestic spending in the mid-1960s to around 15 per cent in the early 1980s, has rapidly climbed in recent years with business investment its most dynamic component, leading the way.

As a result, production capacities have been rebuilt after imbalances inspired by the two oil price shocks in the 1970s.

The investment boom, meanwhile, far from leading to a deterioration in the external position as has happened in some neighbouring countries, has contributed to a sharp improvement in the current account balance of payments to the point where this year it looks like comfortably exceed-

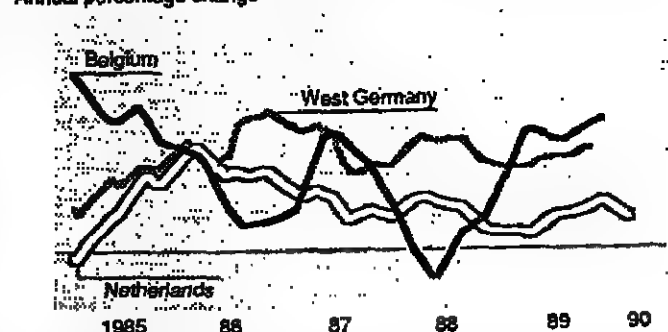
Public debt

As a percentage of GNP



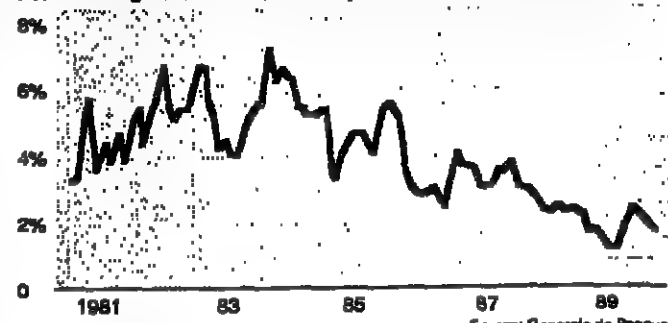
Hourly wage costs in industry

Annual percentage change



Short term interest rate differential

Between Belgium and West Germany



ing BFr100bn - about 2.2 per cent of GNP - for the third successive year.

More controversially, business profits have rebounded at the relative expense of wages.

As a share of total income, wages peaked at almost 80 per cent in 1983 but since then have steadily declined to the point where they are not far from their level in the early 1960s: just over 70 per cent.

Companies' return on equity has benefited from the structural changes and, according to figures from the National Bank, stands at more than 10 per cent, after being negative at the start of the 1980s.

Wage costs in Belgium are now generally in line with the country's leading competitors.

but the recent spate of strikes suggests that workers in the public sector at least feel the correction has now gone far enough. Mr Peter Praet, chief economist at Générale de Banque, points out that wage moderation in Belgium has helped contribute to increased employment.

Real wages, he explains, have risen at an annual rate of 1.5 per cent in the last two years, and employment by the equivalent of 100,000 new jobs, or 1.3 per cent.

Total real wage income has thus increased by 3.2 per cent so the difference between this and real GDP growth of 4.3 per cent can be considered as "the cyclical component of profits," he says.

PROFILE: Mr Luc De Brabandere, bourse managing director

Public sector gets private incentive

MR LUC De Brabandere is an unusual man with a unique new job. He has just become managing director of the Brussels stock exchange, which despite its advanced years and its 130 employees, has never before had a boss.

He sits in the middle of the grandiose old bourse, in an office that looks out onto the disused expanse of the old-fashioned trading floor, deserted since Brussels went electronic two years ago.

He will talk about trains, about family life, about the latest in computer technology, science and the environment, making up new words as he goes along.

His latest favourite is "co-competition," a mixture of the co-operation and competition that he is trying to instil at the bourse.

The slightly surreal peace of his new surroundings belies the task that he is starting to tackle: the day-to-day management of Brussels' big bang.

On his plate at the moment are two political hot potatoes.

The first is how much power to wrestle away from brokers to open up to the banks.

The second is what sort of access outsiders should have to stock exchange prices information - at what speed and at

what price. Within days of his arrival, both events erupted into noisy public rows, with brokers clamouring to protect their dominant positions, and the Belgian press and Reuters accusing the bourse of tactics designed to encourage insider trading.

Mr De Brabandere remains calm to all such attacks.

He understands why outsiders

The project he is working on has no name, but is designed to breath new life into Brussels as a financial centre. This, he says, is part of a more important programme to make Belgium great once again

ers want more information, but explains that it is his job to represent the interest of the exchange. The information, he argues, belongs to the stock exchange, and has a clear value. If others want it, they will have to have to pay for it.

Mr De Brabandere's main task, however, is not to arbitrate in the disputes - which fall more at the door of the exchange chairman Mr Jean Peterbroeck - but to try and make the stock exchange work more efficiently.

Inefficiencies that greeted him at the bourse were obvious and, although he is too polite

to openly say so, he admits it was a "step down" after working for 17 years running the back office at Générale de Banque. But he is optimistic about making changes, and is full of praise for the staff he has inherited. Tired of their rudeness existence, the employees are apparently delighted to see him.

"These people have lived

in keeping with his unusual job, Mr De Brabandere himself is something of a one-off. He is a high-tech freak, author of various obscure scientific books, the latest of which, *La lateroscope*, *Systèmes et Créativité*, has found a large cult following.

He has also been head of Belgian Friends of the Earth, and has been described by the Belgian press as "the iconoclast in the stock exchange."

Does he like such a tag? Mr Brabandere collapses in embarrassed giggles. "Maybe, I'm a strange mixture. I believe in old values. Families. People. Talking."

Another oddity: despite his passion for computers, he shuns the idea of having a computer or a screen in his office.

It is partly out of this high-minded spirit that he has arrived at the bourse at all.

Mr De Brabandere is trying to make the stock exchange into an efficient small business, that is conscious both of its costs and receptive to new ways of raising revenue.

Employees previously answered to a 15-member board, each responsible for a different aspect of the business. The aim is to make it more responsive.

In keeping with his unusual job, Mr De Brabandere himself is something of a one-off. He is a high-tech freak, author of various obscure scientific books, the latest of which, *La lateroscope*, *Systèmes et Créativité*, has found a large cult following.

He has also been head of Belgian Friends of the Earth, and has been described by the Belgian press as "the iconoclast in the stock exchange."

Does he like such a tag? Mr Brabandere collapses in embarrassed giggles. "Maybe, I'm a strange mixture. I believe in old values. Families. People. Talking."

Another oddity: despite his passion for computers, he shuns the idea of having a computer or a screen in his office. It is partly out of this high-minded spirit that he has arrived at the bourse at all.

Lucy Kellaway

IF YOU WANT TO KNOW HOW FAST
INTERMODAL TRANSPORT CAN BE,
TRY AND CATCH THIS MAN
or call CMB TRANSPORT.

...only all-round specialists reach the finishing line.



This is Peter, a professional athlete, one of very few who can hold his own in different disciplines, and on all kinds of terrain. A true all-rounder - just like CMB TRANSPORT.

As an intermodal transport group, CMB TRANSPORT is THE specialist in combined cargo transport at sea, on land and in the air in the north-south trades.

CMB TRANSPORT has its own fleet of ships adapted to contemporary needs, as well as its own worldwide network of service centres.

Add to this its own fleet of road haulage vehicles for inland transport in Europe or overseas, and the result is an extremely efficient door-to-door service. A service that is guaranteed from the most northerly to the most southerly corners of the world.

Customer-designed transport, we call that. And always within your deadlines. Always within the price you've agreed.

Speed, flexibility and knowledge of the market terrain are our advantages. We spare no effort, in any situation.

As an all-round athlete, Peter - like CMB TRANSPORT, recognises the importance of speed, flexibility and knowledge of the terrain. To save you an exhausting marathon please contact us.



Head Office:
CMB s.a. - Meir 1,
B-2000 Antwerpen
Tel. 32.3.223.21.11
Fax: 32.3.223.24.88
Tlx. 72304

Local Agent:
Asoco UK Ltd. - Orbital House,
20 Eastern Road,
GB - Romford RM1 3PJ Essex
Tel.: 0708.766.531
Fax: 0708.46.835
Tlx.: 8814859

Leaders in Belgian Brokerage and Corporate Finance

A recognised reputation for excellence in research, sales and execution of Belgian equities for international institutional clients.

Contact: Sebastian Scotney or Jeffrey Taylor
Telephone: 071-493 7499

Dillon, Read Securities Limited

A proven track record in strategic financial advice, cross-border mergers, acquisitions, divestitures and capital markets in Belgium.

Contact: Dimitri de Gunzburg
Telephone: 071-493 1239

Dillon, Read Limited

Devonshire House, Mayfair Place, London W1X 5FH
Telephone: 071-493 1239 Facsimile: 071-493 5973 Telex: 881055 DRL UK
(Dillon, Read Securities Limited and Dillon, Read Limited are both members of The Securities Association.)

BELGIUM 3

Profile: Charles Picqué

A Brussels base

RARELY does an aspiring politician step over the three recognised routes to the top in Belgian politics. The means are service in the cabinets or private offices of ministers; working in the bureaucracy of a political party or being elected to Parliament and immersing oneself in the work of its committees.

These routes are not mutually exclusive. Most senior politicians have combined two or even three of them in their time. But Mr Charles Picqué, 41, is unique among present-day political leaders in having avoided all three.

He became the first directly-elected Chief Minister of the Brussels region last June. This gave him immense media exposure and catapulted him into greater prominence than all but the most senior ministers and party leaders. As a political base, it is comparable to Mr Jacques Chirac's position as mayor of Paris.

Mr Picqué is a French-speaking Socialist, but unlike the older generation of Franco-phone politicians, he also speaks good Dutch, so there would be no linguistic barrier to his rise to higher things.

Next Prime Minister, but two? is a tag he deprecates, but it is one which is gaining increasing credence.

Mr Picqué's parents are middle class, but they divorced when he was young, and he spent a lot of time with his maternal grandmother who came from a mining family in Liège.

Her stories of bitter class conflicts of earlier days greatly influenced the young Charles and were a major element in his political development.

After graduating in economics from the Catholic University of Louvain, he began an unlikely apprenticeship for a Socialist politician by entering the service of the royal household. In 1976 he was responsible for organising celebrations for the 25th anniversary of King Baudouin's reign.

He subsequently spent 10 years working for the King Baudouin Foundation, which is devoted to preserving Belgium's architectural heritage, and sundry other charitable works.

That did not preclude political activity at a municipal level, and in 1982 Mr Picqué was elected to the council at St Gilles, one of the 19 communes of Brussels.

Three years later he became mayor. This was the beginning of a rapid ascent during which he leaptfrogged over an army of Socialist hopefuls working their way up the political ladder. In St Gilles he made an immediate impact.

Telegraphic good looks, an open manner, readiness to mix, overflowing energy and the keen interest he took in the environment and the architecture of his commune marked him out above the normal run of local mayors. The Brussels press took him up in a big way, and in three successive years he was voted "Bruxellois of the year" in a poll of newspaper reporters.

Mr Guy Spitaels, the leader of the French-speaking Socialist Party (PS), took note and put him on the party's list for the 1987 parliamentary election. He was elected, but his parliamentary career did not last long.

When the first elections for the Brussels regional council were announced last year, he was picked to head the PS list by popular demand among party members. It paid off. The Socialists topped the poll for the first time ever in Brussels.



Charles Picqué: Immense media exposure as chief minister of the Brussels region

which has traditionally been a stronghold of the (right-wing) Liberals.

Mr Picqué became president of the five-member executive council, but only after he had succeeded in complicated coalition negotiations within the 75-member (bilingual) regional council. He needed to construct three distinct majorities — one in the council overall, one among French speakers and one among the Dutch speakers.

In all, this meant involving six parties, with the Liberals left in opposition. Ironically, in his own commune of St Gilles, where he remains mayor, the Liberals are his coalition partners. "This is typically Belgian," he says.

The new regional executive and council have taken over considerable devolved powers from the national government, and Brussels is now on a par with the Flemish and Walloon regions which have been self-governing since 1981.

Mr Picqué is quite clear about the main challenge which he faces. "It is to manage a town which, at the same time, is an international town, but which must also preserve an ambience, a rhythm of life, which will enable it to retain its population. I think we shall do this, but the greatest risk is that Brussels would be reduced to being a huge administrative centre, a town without a soul or identity, without any human atmosphere."

"The second challenge, which is linked to the first, is that we have to avoid becoming a town cut in two — divided between rich and privileged international administrators, on the one hand, and a poor, disadvantaged population on the other."

The city for which he is now responsible has suffered major depredations over the years, from greedy developers to lax town planners.

If this passionate defender of the human environment cannot improve the quality of life during his five-year term of office, perhaps nobody can. If he succeeds in his mission, there may be no limit to his future political prospects, although it would not be altogether surprising if he resists calls for a national political career and decides to devote himself indefinitely to the city he evidently loves.

Dick Leonard

Dick Leonard profiles Vice Premier Jean-Luc Dehaene

Widely tipped to succeed Martens

THE CENTRE of gravity of Belgian society is somewhat to the left of the political centre. It is very definitely on the Dutch-speaking side of the language barrier and probably a shade on the Catholic side of the religious secular divide.

The senior Belgian politician who most closely approximates to this position is Mr Jean-Luc Dehaene, the Vice Premier and Minister for Communications.

Unknown outside his native land, Mr Dehaene is the man most widely tipped to succeed his friend and patron, Mr Wilfried Martens, as Prime Minister.

There is no immediate vacancy, but Mr Martens has already served more than 10 years and is known to covet the succession to Mr Jacques Delors, when he leaves the EC Commission, probably at the end of 1992.

Mr Dehaene, 49, is a Christian Democrat from Bruges. He was born in France where his father, a Belgian army doctor, had retreated with his unit in 1940. Taught by French-speaking Jesuits, and a graduate in law and economics at the Catholic University of Louvain (Louvain), he remains an archetypal Fleming, whose French is still heavily accented.

Mr Dehaene says that he had no early political ambitions

and did not join a political party until 1967, when, at the age of 37, he was invited to join the national committee of the Young Christian Democrats.

Before then he had worked for four years as the administrative head of the Catholic Boy Scout movement in Flanders and had gone on to join the research department of the Christian Worker's Movement.

Mr Martens was then president of the Young Christian Democrats and since 1987 the two men's careers have been closely entwined.

When he first became Prime Minister in 1979, Mr Martens made Mr Dehaene his *chef de cabinet* and when he formed a centre-right coalition with the Liberals in 1981 he badly needed a left-wing Catholic in his Government to reassure the powerful Christian trade unions.

Though not yet an MP, Mr Dehaene was made Health and Social Affairs Minister. The Government lasted for six years, during which it imposed a statutory income policy and massive public expenditure cuts in order to restore the battered competitiveness of the Belgian economy.

Mr Dehaene skillfully defended his own department

from the cuts, which did much to endear him to the Socialist opposition as well as to the Christian unions which remained remarkably quiescent. When the Government fell, it was not over economic policy, but because of a typical Belgian linguistic row about a French-speaking mayor of a mixed language commune who refused to sit an examination in Dutch.

With help from the king, he persuaded Martens to continue

The subsequent general election in December 1987 led to sweeping Socialist gains, and it was evident that they had to be included in the successor government. Mr Martens, however, took the election defeat as a personal vote of no confidence and refused to try to form a new left-centre coalition. The victorious Socialist leader, Mr Guy Spitaels, was ruled out as a possible Prime Minister because of his inability to speak Dutch, and Mr Dehaene was summoned by King Baudouin as the Christian Democrat most likely to attract Socialist support.

Mr Dehaene concluded that if a new government were to succeed, it would have to produce a constitutional settlement to defuse the language dispute, while continuing the broad lines of the previous government's economic policies.

It seemed an impossible task. But after three months of hard bargaining, Mr Dehaene put together a five-party coalition with an agreed programme to amend the constitution to provide new linguistic guarantees in mixed-language communes and to establish a directly elected regional council for the Brussels area.

He persuaded his own party to switch coalition partners, the Socialists to back economic policies they had opposed and the Volksunie, the moderate Flemish Nationalist party, to join the Government in order to provide the necessary two-thirds majority for constitutional changes.

Most remarkable of all, with help from the king, he persuaded Mr Martens to continue as Prime Minister. This was necessary, Mr Dehaene now says, as a symbol that the economic policies would continue.

Without Mr Martens, he maintains, nobody would have believed this, and although he

would have become Prime Minister, the new government would not have lasted long.

As it was, the Dehaene formula worked like magic, and two years later the Government is still firmly in place, and has successfully legislated the most urgent parts of its programme.

As for Mr Dehaene, who was previously seen as rather an impetuous and unsuited fellow, his reputation has soared and he is now seen as second only to Mr Martens as a Mr Fixit.

He is also admired for his common touch, not least when he acts as an enthusiastic cheerleader for his favourite football club, Bruges, which has just won the Belgian championship.

The former British EC Ambassador, Sir Michael Butler, once wrote rather sourly: "If Belgians have a fault, it is perhaps that they are so keen on compromise that they are sometimes ready to advocate bad solutions in order to achieve it."

So far, at least, Mr Dehaene's solutions seem to have been good ones, and if they continue to be seen as such, they will most likely eventually propel him to the premiership which he forecast two years ago.

Official listing of ordinary shares on the Brussels Stock Exchange.

On 13 June 1989

Arranged by **Generale Bank**

The shares will be represented by bearer certificates issued by the company.

The listing prospectus is available from the company and from the Bank of Belgium.

WICKES LAND DEVELOPMENT

OFFRE EN SOUSCRIPTION PUBLIQUE DE 47.000 CERTIFICATS D'AMORTISSEMENT

Wickes Tournai, Mechelen...

Pris de souscription: 100.000,00 francs belges

Remise par action: 10% (soit 10.000,00 francs belges)

Période de souscription: du 15 juin 1989 au 15 septembre 1989

Les souscripteurs peuvent se faire assister par un conseiller financier.

Arrangé par **Generale de Banque**

gamma holding n.v.

Helmoud, Nederland

has acquired a majority shareholding in

TEXTILES de witte lietser

The undersigned acted in this operation as financial advisor to Gamma Holding

Generale Bank

March 1990

AVIS

Cilva Holdings PLC

a consortium composed of

Lease International S.A.

General Motors Corporation

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial partner of

Lease International S.A.

Generale Bank

March 1990

£ 10,000,000

Capital Restructuring

Multicurrency Asset Finance

JAMES MARTIN ASSOCIATES

through its subsidiaries

James Martin Associates Group Limited

James Martin Associates (UK) Limited

James Martin Associates (Deutschland) GmbH

James Martin Associates Nederland B.V.

James Martin Associates Inc. USA

Agents

Generale Bank, London Branch

Sub-Agents

Amro Bank, Amsterdam

Generale Bank, London Branch

Generale Bank and Co. Köln

Generale Bank, New York Branch

Arranged and provided by **Generale Bank**

Corporate and Investment Banking

US \$ 150,000,000

Credit Agreement

Amro Bank, N.V.

Arranged by **Generale Bank**

Funds provided by

Generale Bank

Bank Brussel Lambert N.V.

Algemeene Bank Nederland (België) N.V.

Amsterdamsche Bank N.V.

Bank of America N.T.&S.A.

Bank voor Socialisme en Democratie

Barclays Bank Plc

Commerzbank AG

Deutsche Bank AG, Antwerp Branch

Glaxo Bank (Europe) S.A.

Morgan Guaranty Trust Company of New York

National Westminster Bank Plc

Agents

Generale Bank

March 1990

COMPAGNIE GENERALE D'ELECTRICITE

CIGIE

EMISSION DE FRF 5.574.400.000 NOMINAL D'OBLIGATIONS CONVERTIBLES

Pris de souscription: 100,00 FRF

Période de souscription: du 15 juin 1989 au 15 septembre 1989

Les souscripteurs peuvent se faire assister par un conseiller financier.

Arrangé par **Generale de Banque**

ALBERT FISHER

Affiliated listing of ordinary shares on the Brussels Stock Exchange

On 4 April 1989

Arranged by **Generale Bank**

The shares will be represented by bearer certificates issued by the company.

The listing prospectus is available from the company and from the Bank of Belgium.

OFFRE PUBLIQUE DE VENTE

par la Société Générale de Belgique S.A.

de 2.000.000 d'actions ordinaires

ACEC UNION MINIERE

Pris par action: 100,00 FRF

Période d'acceptation: du 15 juin 1989 au 15 septembre 1989

Les souscripteurs peuvent se faire assister par un conseiller financier.

Arrangé par **Generale Bank**

BELGIUM

The heart of Europe

SOLVAY

The heart of today's chemical industry in Europe

- ranks among the top chemical groups in the world
- turnover of 255 thousand million Belgian Francs
- five business sectors: alkalis, peroxides, plastics, processing, health
- employs 45,000 persons worldwide, of which 3,300 are involved in research
- 350 establishments located in 33 countries

SOLVAY & Cie

33 Rue du Prince Albert

1050 Bruxelles

Tél. 02 509.61.11

Generale Bank

CORPORATE & INVESTMENT BANKING

BELGIUM 4

Deregulation of the telecoms market

Don't ring us ...

BELGIUM is ready and waiting for the technological challenges of the 21st century, says the publicly handout of the state telecom company.

In this century, however, about 40,000 of its people are ready and waiting for a telephone.

No matter how hard the Regie de Telephonie et de Telegraphe (RTT) blows its own trumpet, it cannot drown out the noise of complaints. In the last year or so there have been some fairly damning criticisms.

In the EC Council of Ministers, Belgium has been attacked as one of the most reluctant to cut the monopoly powers of its telecom companies, yet at home it has run its monopoly in a way recently described as scandalous.

Reports in the Wall Street Journal earlier this year struck a particularly telling note, claiming that the Belgian phone system was the sort of thing one would expect in the Third World, rather than in the capital of Europe.

It has been source of growing embarrassment to Brussels that the rush of companies and individuals moving there may have to wait up to six months for a phone - unless they happen to know the right people in the ministry.

According to Mr Marcel Colla, the telecommunications Minister, not only are such complaints greatly exaggerated, but they are rapidly becoming out of date.

The RTT has, belatedly some would argue, started an emergency plan, ordering more cables, and hiring contract workers to install them. As a result, the number of people waiting has fallen by 8,000 in the last couple of months, and it is hoped that the backlog will be gone by next year.

The minister says the longest anyone then has to wait will be a month; which still may seem slow on American standards when only hours are usually involved.

The RTT's problems started when the contract for the lines was signed too late, and the level of demand was underestimated.

The fact that this could have happened says less about the RTT itself, than about the long-winded, bureaucratic approach of Belgium's entire public sector.

But that is about to change. Under a new law aimed to make all public administrations a little nimbler

and more efficient, the RTT is shortly to be restructured under the new name of Belgacom.

"At the moment we are an administration with too many rules," says Mr Colla.

In the future the company will be able to take more decisions for itself, with a view to its commercial interest. For one thing, it will be able to hire teams of professional managers.

The new law will also allow the RTT to raise a limited amount of private capital if it so wishes, although the state is to retain at least 51 per cent of the capital and 75 per cent of the votes.

Hand in hand with the new company structure will be the deregulation of the telecoms market in Belgium, which means the RTT will lose some of its monopoly businesses. The move towards deregulation in Belgium, which has gradually crept in of its own accord, is being forced by legislation.

So far, the RTT has engaged a larger share of its market than many of its neighbours, with a monopoly not only of all the basic networks, but also to supply the first telephone set, the first telex machine - over small PBXs and over small modems.

As a result of EC legislation it will lose most of that, and will have its control greatly weakened over value added services. Such liberalisation goes further than Mr Colla would have liked.

He argues that there is implicit competition between national phone companies even in their protected areas, because the efficiency of their basic phone systems is an important reason for companies settling in one country rather than somewhere else: a brief argument to use given the image of the RTT in this area.

He also points out that as a small country of only 3.7m subscribers, Belgium has no room for more than one telephone company. The kind of deregulation being carried out in the UK, for example, with Mercury established as a competitor to British Telecom, is not an option in Belgium, he says.

Even in the value added services, he argues, that competition should not be completely free. "I do not think it is a good thing if all the services are controlled by companies that are not Belgian," he says. "We are in favour of Europe, but do not

want to depend on strategic decisions that are being made in Paris and Europe."

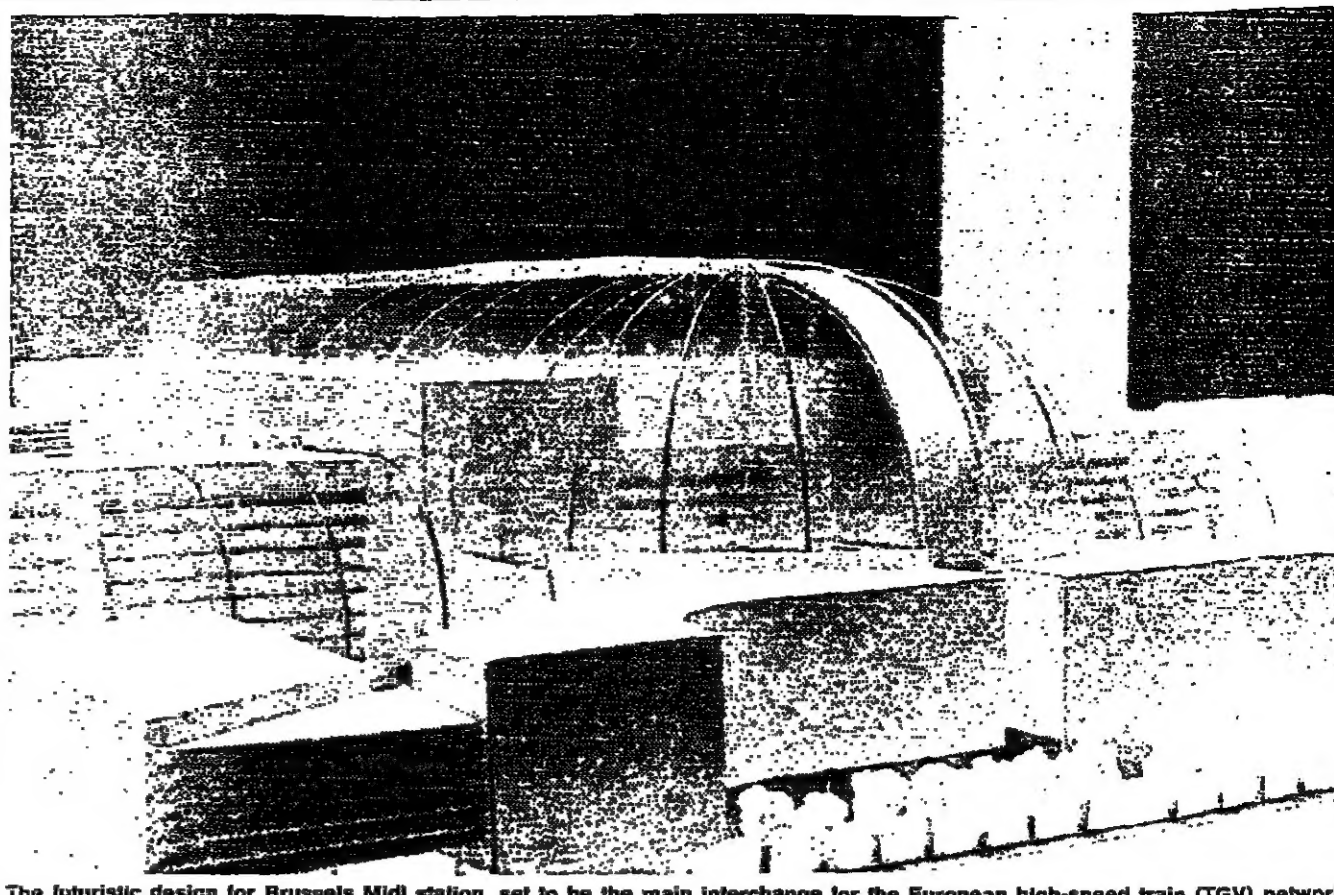
Disregarding such arguments, Europe is moving ahead with deregulation, and the RTT is going to compete as best it can. The way forward favoured by Mr Colla is through joint ventures. He has already signed one with the France Telecom, and is hoping soon to be able to conclude several more. The minister also recently opened an office in New York in an attempt to get a bigger slice of the international traffic.

These moves are all quite new to the RTT, which previously rather neglected the commercial parts of the business. The steady rise in profits to BFR9bn in 1989 on sales of BFR90bn has been as much due to the surplus profits earned by a monopolist in a captive and rapidly growing market as to the increase in productivity.

In future, the company is likely to concentrate more on marketing its products. Mr Colla explains that in the past it has concentrated its efforts on technology.

Mr Colla, who is a postman's son, looks as though his new role as chief of Belgacom will suit him. With a fat cigar in mouth, and sunk into a deep leather armchair in his vast, new offices, he looks every inch the business tycoon. "The big goal is to go from an administration, with the mentality of administrators, to being a company," he says.

Lucy Kellaway



The futuristic design for Brussels Midi station, set to be the main interchange for the European high-speed train (TGV) network

Profile: Wilfried Martens

A new, modernising image

WILFRIED MARTENS is getting a second wind as Prime Minister. For most of his first decade in power, he seemed to be the Marathon Man, the long-distance runner pursuing constitutional and budgetary reform of the Belgian state. Those races are still far

from completed. But increasingly he is pushing the image of Martens the Moderniser, the man who is trying to ready Belgium's antiquated public service sector for post-1992 Europe, to streamline and rationalise its police, to open the Brussels financial

marketplace to competition, and to make Belgium fiscally more attractive to foreign companies.

Achievement of the earlier tasks is still essential, he says. "We're still paying for the stupidities of the 'easy' years of the 1970s," when the central government threw borrowed money around in response to the competing claims of the country's regions and linguistic communities. "We will need 15 years of redressment," he says, until the mid-1990s by when he hopes that public debt servicing falls to 2.5 per cent of the country's GNP. Once it falls below the annual growth of GNP, then the road to recovery will be almost automatic.

This process of financial recovery is, Mr Martens reckons, helped by central government shedding wide-ranging responsibilities, and some 40 per cent of total public revenue, to the country's three regions - Flanders, Wallonia and Brussels. The Walloon regional government has been tougher towards the financial problems of a big city like Liege than the central government would have dared. Nor would teachers be out on the streets of Brussels if the government of the French-speaking Community government had been as soft as previous national education ministers.

Likewise, the Flanders government has shown more audacity in closing its Kempen coal mines than the central government did.

The Prime Minister concedes the problem of overlapping jurisdictions, and cites the problems of conditions for immigrants - their housing is a regional charge, teaching a Community responsibility, and acquisition of nationality still under central government. Further reforms are planned, which must, among other things, set limits on the external responsibilities of the regions. But Mr Martens does not want to preside over the demise of central government in Belgium. "I believe that all the powers not explicitly passed to the regions should stay with central government."

More idealistically, Mr Martens believes that Belgian devolution can be "a sort of model for Europe, if it can make three different cultures (including Belgium's German-speaking Community) work together."

For the moment, however, the rest of Europe is more interested in Belgium and Brussels, the emerging political capital of institutional Europe, working more efficiently. And here Mr Martens has plans. He lists preparations for a new competition law, for putting the country's six public-owned credit institutions on a more commercial footing, for making public services in general and the RTT telecommunications service more "business-like" by submitting their management to contracts and to greater financial self-reliance.

David Buchan

David Buchan on links with a former colony

Firm line on Zaire

POST-IMPERIAL guilt has long dogged Belgium in its complex relationship with Zaire, the former Belgian Congo, but 30 years after Zairean independence it at last seems to be wearing off.

The catalyst has been allegations that last month, only three weeks after President Mobutu Sese Seko promised an end to 25 years of one-party rule, his troops murdered students demonstrating against the Government infiltrating its agents onto their university campus in Lubumbashi.

To the surprise of everyone, Belgium took a quick and deci-

sive stand, calling a halt to a pending state loan of BFR300m and preparation for its regular annual discussions with Zaire on aid policy.

Brussels demanded an international inquiry into the Lubumbashi events after the Mobutu Government had spent 18 months brow-beating Prime Minister Mr Wilfried Martens' Government to write off a sizeable chunk of Zairean debt with accusations of neo-colonialism.

Belgium's request for an outside investigation got the formal diplomatic backing of its

EC partners and of Washington without difficulty.

Behind this firmness lies a number of factors. One is a feeling that democracy and human rights in Zaire, and Africa in general, should no longer be judged by lower standards than eastern Europe, where Belgium warmly welcomed the 1989 revolutions, and Asia, where Belgium roundly condemned China's suppression of its students.

"We should not indulge in selective indignation," as Mr Mark Eyskens, the Foreign Minister put it.

The Belgian Government also appears to be grimly satisfied that it has "a solid dossier" of evidence on the Lubumbashi killings. Even a Kinshasa newspaper put the death toll at 23, after having had to listen to Mr Mobutu talk of multi-party democracy: a controlled game that only three selected parties are allowed to play. Earlier, there had been Mr Mobutu's accusations of neo-colonialism.

From the start, in November 1988, when the Zairean leader started to make a public row out of Belgian press criticism of his personal fortune and of alleged corruption in his entourage, Mr Mobutu was after money.

This was not surprising, since the debt relief that Belgium was then offering Zaire was not generous. However, after 18 months of arduous negotiation, mediated at one point by King Hassan of Morocco, Belgium substantially improved its terms.

In March this year Belgium agreed to cancel BFR4.7bn in accumulated debts owed by Zaire; cancel one third of BFR1.2bn of Zaire's Belgian state-guaranteed commercial debt falling due in 1989-90; and to reschedule repayment of the principal on the remainder and let interest on this be paid in Zairean currency into a local development fund.

All this adds up to a feeling in Brussels that Belgium has done enough to help a country whose importance to Belgium's economic welfare is less than popularly believed.

Belgian companies, mainly in mining and shipping, remain heavily involved in Zaire, but Belgian exports of BFR10.6bn to Zaire in the first nine months of last year, and imports of BFR28.6bn over the same period, are minuscule in the context of Belgium's total BFR6,000bn two-way trade.

"If all trade with Zaire were stopped, it would be the same as an interruption of 30 hours in a whole year," calculates one official.

Although there are still 13,000 Belgians in Zaire, diplomats say there are as many in Chicago alone, and half as many in South Africa, "a state against which we still impose sanctions."

However, it would be wrong to assume that Belgians no longer value their links with Zaire and Zaireans. For one thing, it is the one element of Belgian foreign policy which has not been submerged in the European Community.

But what is new is the realisation that support for Zaire and support for Mr Mobutu are no longer necessarily the same.

We are a significant player in the Belgian markets and are rapidly expanding our international presence. We have established our position by being flexible and reliable. Furthermore, our strategy is based on steady growth and sound equity.

Home in Belgium, we are known to stand up for our clients. The personal commitment of our employees ensures our clients a full financial service of the highest quality level.

On the international market we want to associate our strengths and

experience with you in order to establish a professional banking relationship.

KEY FIGURES (in billions of BF)	1988	1989
Balance sheet total	425.8	507.4
Total deposits	386.8	455.1
Loans	136.3	166.7
Securities portfolio	203.0	246.8
Reserve capital	19.5	21.8
Net profit	1.7	1.7

BACOB
SAVINGS BANK

Tinestraat 25 Rue de Trèves, 1040 Brussels - Belgium - Tel 02/237 32 11
Dealing room 02/230.85.25 Telex BACOB B 62 199 SWIFT BACB BE BB

BANQUE BELGO-ZAIROISE
S.A.

Center 1 - 1000 Brussels
Belgium - Phone: 021.58.72.11
Telex: 21075 - Swift: BELGO BE BB
Telex: 021.51.75.13

THE IDEAL BANKING CONNECTION BETWEEN EUROPE AND AFRICA

Specialized services at your disposal since 1949

Antwerp Branch: Arenbergstraat, 17 - Tel.: (3) 232.59.14 - Telex: 34.475. Telex: 3/233.08.18
London Office: 48-54 Moorgate, EC2R 6EL - Tel.: 071-583.9901. Telex: 071-628.1722
Telex: 888528 - SWIFT: BELGO GB 21

Affiliated Banks

BANQUE COMMERCIALE ZAIROISE S.A. r.l. ZAIRE

BANQUE DE CREDIT DE BUTUMBURA S.A. r.l. BURUNDI

BANQUE DE KIGALI S.A. RWANDA

Member of the Group of Generale Bank

THE BELGIAN Government compares tax competition with the competitive devaluations of the last old days.

Only last month, Mr Philippe Maystadt, the Belgian Finance Minister, wrote to Mr Michel Combes, managing director of the International Monetary Fund, calling for central control on some tax levels.

He said: "Just as countries found it necessary to co-ordinate trade policies under Gatt, they may also find it necessary to lay down additional rules of conduct in the domain of capital income taxation through a multilateral convention."

Whenever a neighbour or partner lowers tax rates, just as the international value of a currency may be lowered to gain an export advantage, other rates must follow or business may be lost.

In turn, declining tax revenue can bring the public sector out on the streets in revolt, as seemed to be the case earlier this summer when teachers, air traffic controllers and railwaymen staged strikes.

The next step is that the public starts protesting at the declining level of public services. In Belgium, so far that has not happened. But Mr Maystadt feels it may yet.

As he wrote in his letter to the IMF: "The more general danger is that leaving tax competition unbridled can seriously undermine the 'social compact' between democratically-elected governments and their citizens concerning the appropriate level of public expenditures."

David Buchan on 'danger of unbridled competition'

Tax plea to the IMF

Belgium's problem is that it relies on other countries for much of its revenue.

One of its neighbours, Luxembourg, has especially low indirect taxes and high standards of banking discretion. In addition, the Duchy, because of its monetary union with Belgium, offers Belgian depositors no exchange rate risk on what they place in Luxembourg.

The result has been that the Belgian exchequer has always taken in less than one would expect from its high tax rates.

Mr Maystadt's cry for IMF help came after the European Commission failed to convince member states of the need to agree on a minimum tax-at-source on non-residents' capital income. As a result, Belgium has had to reduce its own withholding tax.

At the same time, EC states have failed to bring their widely-differing value added and excise tax rates closer together.

Belgium's efforts to scale down its tax rates are shackled by fiscal and budgetary constraints. These are that in 1989 gross public debt amounted to 133 per cent of gross national product (down from the peak of 136.6 per cent in 1988).

The two guiding rules, which the Government has imposed on itself, are that real public spend-

ing (excluding debt interest) and the budget deficit in cash terms should both stay constant. The hope is that, as the economy and tax-take grow, public borrowing will naturally shrink in relation to the overall economy.

But despite these constraints, some tax reform has been achieved. The top marginal rate of personal income tax was, from 1989, chopped back from 72 to 55 per cent. At the same time, there was a significant increase in the minimum tax-exempt income.

This reduction in personal income taxes worth BFR95m a year was revenue neutral, paid for by closing other loopholes and by raising indirect taxes on petrol and cigarettes.

The latter move started to reverse the trend that had led, by 1988, to two-thirds of all revenue being raised by direct taxes and only one-third by indirect taxes (on goods).

But Belgium will soon be under pressure to lower its standard rate of 19 per cent, with a top rate of 25 per cent and a reduced 6 per cent rate.

This compares with the EC's proposal of just two VAT levels: a reduced 4.5 per cent band for necessities (and possibly some zero-rated items in certain com-

tries such as the UK which already have this exemption) and a standard 14-20 per cent VAT band.

Even more likely is an EC-agreed minimum at perhaps 15 per cent for standard goods and services. Two of Belgium's neighbours, France and the Netherlands, are taking unilateral steps to bring their fairly-high VAT rates down, while Germany and Luxembourg are already at respectively, a 14 and 12 per cent standard rate.

The withholding tax, the *pre-compte mobilier*, for all revenue, interest from bonds and most bank deposits, was slashed in February 1989, from 25 to 10 per cent. But this did not apply to shares.

To have cut the tax on share dividends would have cost the exchequer BFR40m a year, say Finance Ministry officials. Nevertheless, Mr Maystadt has committed himself to making the tax reduction for share income as soon as possible.

The impact of this tax change came in the first subsequent Belgian state loan in March 1989, which was to have been only BFR30m, but was more than doubled to BFR70m in response to popular demand. "Clearly more money is staying in the country,"

says one finance ministry official. Under a reform agreed last December, standard corporate tax will be cut from 43 to 41 per cent by 1991.

But there are signs that the December 1989 reform may not be enough to satisfy the Socialists in the governing coalition. They are still displeased with the way that corporate tax receipts are growing slower than the overall tax-take, or the economy itself.

No matter that the Finance Ministry, in the Christian Democratic hands of Mr Maystadt, points out that all tax incentives costs money, and that precisely because of the investment boom companies have been using depreciation and special deductions for investment more than ever.

A particular target has become the generous tax provisions that has encouraged some 200 multinationals to set up so-called co-ordination centres in Belgium. Provided genuine multinational groups set up such a centre with BFR1bn capital and employing a minimum of 10 people, these operations benefit from paying corporate tax on only a flat-rate assessment of profits (estimated normally at 8 per cent of total costs) and from exemption from withholding tax.

Created in 1982 to last for 10 years, these tax provisions seemed the right prescription for Belgium to win investment in the depressed early 1980s. But should they be necessary post-1992? That is the awkward question the Socialists are posing for their coalition partners.

still thresholds for deals which must be settled on the stock exchange; that the government-settled house tax should be abolished; and entry to the stock exchange should not be restricted to stockbrokers and banks. He advocates self-regulation - the trend elsewhere in the world.

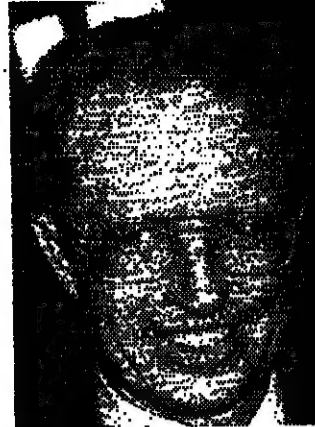
Mr Verhofstadt says individuals and companies are both over-regulated and over-taxed. He accuses the Socialists who displaced the PVV in the latest Martens coalition of inconsistency about wanting to withdraw some of the corporate tax breaks.

"They say companies are not paying their fair share and that their tax payments are not rising as fast as the general economy. But this is proof that tax incentives granted over the past decade have worked."

David Buchan

THE MONARCHY

Baudouin's day off



King Baudouin

IT MUST have been the shortest ever constitutional crisis ever. For 39 hours, at the beginning of April, Belgium was without a king while the conscience-stricken Baudouin quietly stepped aside to allow a bill legalising abortion to be signed without him.

The rest of the world looked on with puzzlement, but Belgium felt it would never be the same again. Its initial reaction was that irreparable damage had been done to the constitution, and urgent changes would be needed to ensure that the King did not make a habit of getting off the throne every time he came across a law he did not like.

Less than three months later, it all seems to have been forgotten. The King still gets to work at 8.15 every morning, goes home at noon to lunch with the Queen, and spends the afternoon reading files.

The newspapers no longer talk of reforming the constitution, and everyone assumes that so delicate a task will be left to wait at least until after the elections in January 1992. People increasingly wonder if changes are needed after all.

The King was able to step aside thanks to article 35 in the Constitution that allows him to hand over his power to the Government and Parliament, if he finds it "impossible to reign." The article, designed to deal with kings that had gone senile, was never meant to be put to such use.

Some people argued that if the King objected to a law so strongly that he could not put his name to it, he should resign for ever. To give his conscience a brief holiday not only smacked of hypocrisy, but damaged the royal prestige.

A few among the French-speaking Walloons, traditionally less pro-royal than the Catholic Flemish, called for him to resign.

But such talk has died down, which says much for the King's apparent popularity. The general view is that the event was a genuine one-off, covering the most vexed legislative issue in years, and one on which the King - childless and a staunch Catholic - has the strongest possible views.

Indeed, by taking a day off he may have found a neat solution to a delicate problem.

allowing a way round a difficulty that might otherwise have caused a much greater political fracas. The question of whether Belgium should drop its ban on abortion, which it shared only with Ireland, had divided the Government, heightening tensions between the Christian and Socialist parties in the five-way coalition. The law is still one of the tightest in Europe, making abortion legal only up to 12 weeks.

Belgium's constitution has shown great powers of survival in its 150-year history. Of the 26 articles that lay down the powers of the King, only the most trifling changes have been deemed necessary. Under its terms the King has considerable power, at least compared to that of other European monarchs. It is up to him to hire and fire all ministers, his signature is required on all honours, appoint magistrates and forgive crimes. He is commander of the armed forces.

The interpretation of these powers has changed with the times, with the King's real power steadily eroded so that he no longer chooses ministers himself. However his hand can still be seen from time to time during periodic Belgian cabinet crises, and he was responsible for persuading Mr Martens to form the present Government.

On the whole, the people of Belgium seem to think that he performs these tasks well. He is seen as a hard-working, kindly man, a fervent Catholic, with a self-effacing personality. This appears to be no draw-

back in the eyes of the public; indeed Baudouin's greyness is a relief after the dash of his father, who first offended the people by surrendering to the Germans in 1940 without consulting parliament, and then by taking as his second wife his children's governess.

Belgians have none of the ghoulish curiosity into the lives of their royals that the British or even the French have. The Royal Palace will confirm that the King likes golf and has taken some fine photographs of the stars, but beyond that what the King does or does not choose to do is properly left as his own affair. However if the people were unhappy about the King, it might be hard to tell. In Belgium an obscure law exists under which it is illegal to criticise him. And even without such a law, there seems to be an informal understanding not to mention him, unless it is his birthday or he makes an official visit somewhere.

Two events have recently brought this suppression of free speech into the open. The first was the fracas over his Christmas message. Baudouin, who apparently had toiled over this speech for several weeks, gave the nation an account of the virtues of family life. The speech, which was broadcast on television while all the other channels were running footage from Romania, struck a lawyer from Namur as offensively narrow, and he wrote to the King to tell him so, sending his letter to the press. In the ory the lawyer could have been jailed for up to three years, but he was spared after brief psychiatric treatment.

The other incident concerned a Flemish journalist who wrote an article spelling out the opposition of the King on the abortion issue. This was suppressed by his paper lest it cause a dangerous split in the Government. The article was later published in the Wall Street Journal, and the journalist lost his job.

The Belgian monarchy may be an excellent institution and may serve a useful purpose. That being the case, Belgium would seem to have little to lose in allowing people to discuss it a little more openly.

Lucy Kellaway

"PEOPLE ARE blind to the problems because of our booming economy. They say 'Alles gaat goed, tout va bien' - so why worry?"

At only 37 years of age, Mr Guy Verhofstadt seems an unlikely Cassandra. But this Ghent Liberal is paid to be the Martens Government's chief scourge. After three years as Budget Minister, he became, as president of the PVV Flemish Liberals, leader of the Opposition in 1988. He has turned into one of the more eloquent and numerate critics of current economic policy.

His main complaint is that Belgium should be using its booming economy to further reduce the budget deficit and government regulation of the economy.

He is proud that even when the economy was not performing so well, public debt servicing, under his stewardship, came down from 12 per in 1985 to 8 cent of GNP by the end of 1987.

At the same time he is contemptuous that in better economic times since then, it has only fallen to 6 per cent. This, Mr Verhofstadt notes, is more than twice the EC average.

The former Budget Minister says he would do three things about it.

Firstly, he calls for a return to the policy of cutting back bureaucrats by natural wastage. The number of bureaucrats - federal, regional and local - fell from about 870,000 in 1980 to 804,000 today. But Belgium still has more people working in its civil service than, for example, the Netherlands which has 720,000 bureaucrats serving a population 4m larger than Belgium's.

Secondly, with the social security system, "the same range of health benefits should not be given to everyone, regardless of ability to pay."

Mr Verhofstadt suggests that above a certain income, individuals should be obliged to buy their own private health insurance. He also says the Government should build up financial reserves in the pension system.

Thirdly, he advocates privatising the RTT state telecommunications system. Sabena - still majority owned by the Belgian state despite British Airways and KLM shareholdings - and publicly-owned credit institutions.

Of these three targets for privatisation, Mr Verhofstadt has, like many others, RTT in the first. He says Belgium as the capital of institutional Europe should be the service nation *par excellence*. But this is impossible, he says, with the poor service provided by the telecommunications monopoly.

He cites the example of the Swift interbank transfer system, which, although based in Belgium, carries out virtually all its transactions in nearby Netherlands.

Other financial service sectors figure high on Mr Verhofstadt's list of Belgium's self-imposed handicaps. The reforms of Mr Philippe Maystadt, the Finance Minister, do not go far enough, says Mr Verhofstadt, who complains that simply regrouping the six publicly-owned credit institutions into two camps (one headed by CGER and the other by Credit Communal) is futile, and they should all be privatised.

The PVV leader also believes that modernisation of the Brussels bourse amounts as much to re-regulation than de-regulation. He complains there are

Profile: Guy Verhofstadt

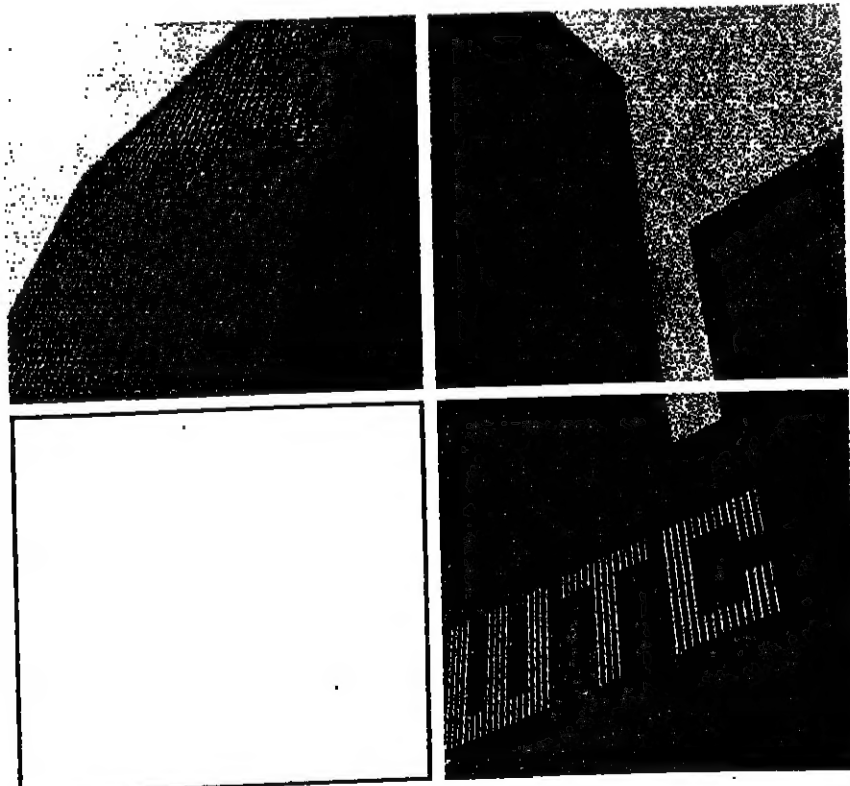
Economic Cassandra

telecommunications monopoly. He cites the example of the Swift interbank transfer system, which, although based in Belgium, carries out virtually all its transactions in nearby Netherlands.

Other financial service sectors figure high on Mr Verhofstadt's list of Belgium's self-imposed handicaps. The reforms of Mr Philippe Maystadt, the Finance Minister, do not go far enough, says Mr Verhofstadt, who complains that simply regrouping the six publicly-owned credit institutions into two camps (one headed by CGER and the other by Credit Communal) is futile, and they should all be privatised.

The PVV leader also believes that modernisation of the Brussels bourse amounts as much to re-regulation than de-regulation. He complains there are

THE ART OF BANKING



PARIBAS

THE ART OF BANKING

A strong banking relationship is of vital importance for today's companies. Technological innovation and financial strength are ever more closely related. At Paribas, banking is an art. High-quality products, full advice and first-class service are the tools of our trade. Perfection and professionalism are paramount. Paribas' financial know-how and internationalism provide the greatest possible reference.

Banque Paribas Belgique
WTC Tour de Paris et des Pays-Bas
Bld. E. Jacqmain 162
box 2 - B-1210 Brussels
Telephone 02/220.41.11
Telex 21349 bppbb
Fax (2)218.51.42

ASLK-CGER

In Belgium, it spells "reliability."

We're known as ASLK to our Flemish customers, CGER to our French-speaking clients. One way or the other, it's been a household name in Belgium for 125 years. Because ASLK-CGER Bank is one of the country's top 5 banks - the leading savings bank - with over 11 million accounts, assets totalling some US\$ 42 billion, and more than 1,100 branches.

Our international development has made us very active players in the foreign exchange and Eurobonds markets, in

corporate lending and treasury services. Our understanding of the international aspects of modern business is also reflected by the fact that we have branches in the key financial centres of London and New York and a subsidiary in Luxembourg.

So today, ASLK-CGER Bank really does stand for reliability - both home and abroad. Our comprehensive service and dynamic approach to international banking might just make ASLK-CGER Bank the Belgian partner you're looking for.



ASLK-CGER BANK

Algemeen Spaar- en Levensverzekering - Caisse d'Epargne et de Retraite

Head Office: Wolvengracht 48, B-1000 Brussels/Rue du Fosse-aux-Loups 48, B-1000 Brussels/Tel. 02/213.61.11.
London Branch: ASLK-CGER House, 22 Eastcheap, London EC3M 1EU / Tel. 01-975 1000.
New York Branch: 350 Park Avenue (24th Floor), New York, NY 10022 / Tel. 212 421 4900.

BELGIUM 6

REGIONAL REFORM

Sums do not add up

THE French-speaking children of Belgium did not learn much in May. Their teachers, demoralised and woefully underpaid, spent much of the month on strike in pursuit of a deal that their employers do not have the wherewithal to grant. The education budget in Francophone Belgium is short of BF4bn for next year, and the deficit is likely to be almost three times as high by the end of the decade.

The lesson to be learnt from the education crisis goes far beyond the classroom: it is that the regional reforms of the last two years are not working smoothly. They seem to have got rid of one brand of chaos only to replace it with another. Education is the area which was most likely to cause problems from the outset, as it lies at the intersection of a complex division of powers in Belgium. The country is divided in two different ways: by linguistic communities - which divide the French, the Flemish and the German speakers - and into regions - separating Flanders to the North and Wallonia to the South, and adding Brussels as a separate region. The two different divisions overlap, but are not the same: the French-speaking community covers Wallonia but also includes the French speakers in Brussels.

Each body operates separately, in charge of different things. The communities rule over cultural matters, although their main responsibility is for education, which takes up about

80 per cent of their budget. They have no power to raise taxes; instead, they are given a budget by the states according to a formula written into the law two years ago.

The deepening financial difficulties show how the sums do not add up now that the French Community has to manage its own budget. The struggle by the Community to meet the shortfall is a further example of how clumsily the system works. A plea to the Central Government for funds has met the direct opposition of the Flemish. Requests to the Brussels region - which is 80 per cent French-speaking - have also run into objections from the blocking Flemish minority on the council. Requests to Wallonia have been better received, but even there, any money paid over is likely to be in return for some transfer of power to the regional government.

According to Mr Peter Claes of Banques Bruxelles Lambert, the problem can be resolved for 1991, but in the longer term a new financial law is needed with a new funding formula for the French Community. Unfortunately, getting the 75 per cent parliamentary majority needed

for such a reform is inconceivable. That will probably mean another fudged solution to complicate further a system which even for the eyes of most Belgians defies comprehension.

Yet despite its shortcomings, regional reform must count as a great success, simply because it has made Belgium governable once again. By giving large powers to the regions it is now possible to get things done which previously would have been fought by the Walloon Flemish. The present system may be too complex and may create new financial strains, but these are nothing compared to the strains that the whole country was under in the days when every franc spent in one region had to be matched in the other.

The transfer of powers to the regions has been a more obvious success in Flanders than in Wallonia. Because the area covered by the Flemish Community and by the Flanders region is the same, the two bodies have been fused, making a simpler and more powerful whole, better able to fund off financial difficulties. The Flemish part of the country has also been better at cutting back on its over-heavy public sector - and at least for the time being has staved off

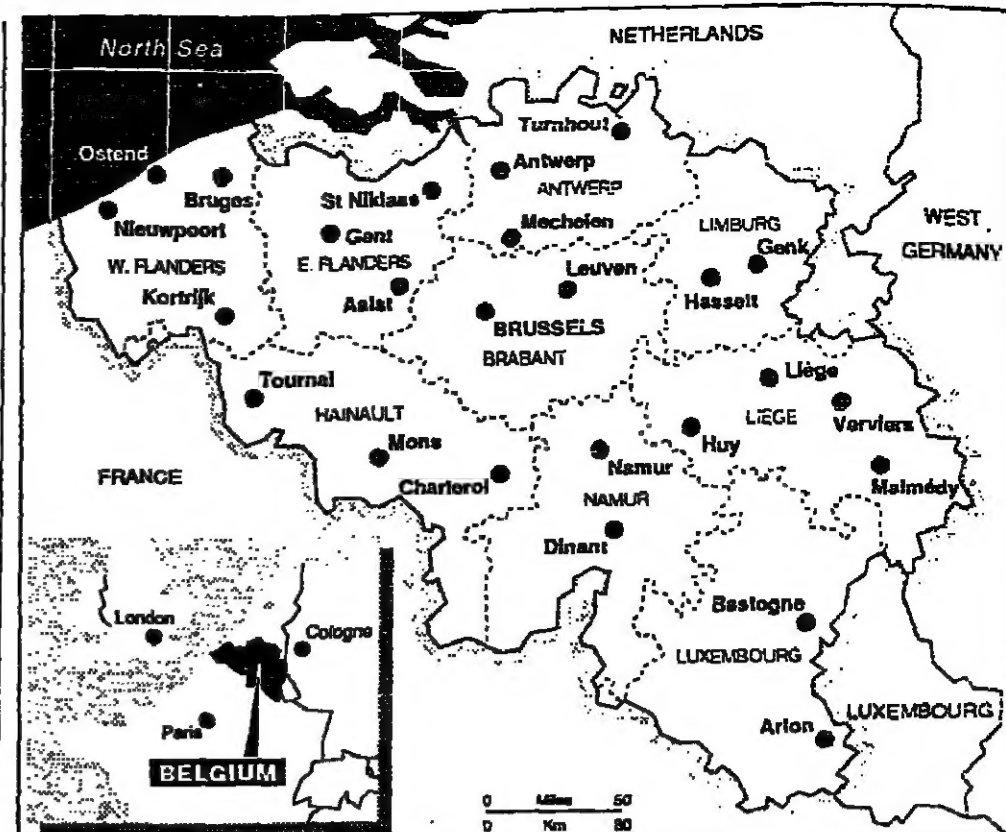
the bankruptcy of its towns. Even though the financial position of Gent and Antwerp leaves something to be desired, they are not in the same league as Liege. Wallonia had to rescue Liege from bankruptcy last year, and is likely to do the same again before the year is finished.

This summer Parliament was meant to pass a third stage of the reforms that were started in 1988. The first two stages, which were deemed urgently necessary, were whisked through, but the third, which deals with reform of Parliament, seems to have got stuck. Many people now doubt if anything will be produced at least until after the 1992 elections.

The most important area of reform is the Senate, which far from being an effective check on the lower house, is a duplication of it: its members are elected at the same time and in the same way. Other planned changes include scrapping the dual mandate of MPs - which at the moment serve on both national and regional bodies - and to agree on a further transfer of powers from the national bodies to the regions.

Parliament was by now supposed to have come up with its own ideas on the subject, but so far has produced nothing. As far as the Senate goes, as the reform would put many of its present occupants out of a job, the chances of its passage for the time being look slender.

Lucy Kellaway



BUSINESS GUIDE

Exchange rate: BFr 58 = £1 (June 1990)
Currency regulations: Import and export - no restrictions
Tipping guide: hotel staff, BFr 50-60; restaurant service included in bill, taxis, no tipping; porters, BFr 40-50
Credit cards: Amex, Diners, Eurocard, Visa
Visas: not required for US, Japanese or most European nationals (up to 3 months' stay)
Vaccinations: smallpox required, except for residents of European countries, Canada and US
Business hours: Offices: 09.00 - 17.30 Mon-Fri
Banks: 09.00 - 15.30 Mon-Fri
Shops: 09.00 - 18.00 Mon-Sat
National holidays: Jan 1, May 1, July 21, Aug 15, Nov 1 and 11, Dec 25 and 26
Water supplies: Tap water is safe to drink
National airline: Sabena World Airlines (headquarters: 35 rue Cardinal Mercier, 1000 Brussels; (32 2 511 90 30)
Car hire: Avis (32 2 724 06 25); Hertz (32 2 755 40 50); Europcar (32 2 540 94 00)
Hotels in Brussels: Amigo, rue de l'Amigo 1-3, 1000 Brussels (32 2 511 58 10) Tlx 21616
Hilton, 38 Blvd de Waterloo, 1000 Brussels (32 2 513 88 77)
Stephania, 91-93 Avenue Louise, 1050 Brussels (32 2 539 02 40)
Astoria, 103 Rue Royale, 1000 Brussels (32 2 217 82 90)
SAS Royal Hotel, 47 Rue Fosses-aux-Loups, 1000 Brussels (32 2 219 28 28) Tlx 22202
Europe, 107 rue de la Loi, 1040 Brussels (32 2 230 13 33)

KEY FACTS

Area	30,519 sq km	
Population	9.92m	
Head of State	King Baudouin	
Currency	100 centimes = 1 Belgian Franc	
Average Exchange Rate	39.40 Francs per US Dollar (1989 ave)	
ECONOMY		
	1988	1989
Total GNP (US\$ m)	152,415	164,760
Real GNP growth	4.2%	4.5%
Compounded annual growth in real GNP 1979-89	N.A.	2.0%
GDP per capita	14,700	N.A.
Current Account Balance	3,100	3,758
Exports incl. non-factor svcs	88,446	96,548
Imports incl. non-factor svcs	86,570	94,748
Trade Balance	1,876	1,802
Budget Deficit as % of GDP	7.8	6.6
Reserves minus gold (US\$m)	9,353	10,766
Trade Dependency	114.8%	116.1
Inflation	1.2	3.1%
Unemployment	10.0%	8.5%
Female unemployment rate	15.2	13.3
% change unit labour costs manufacturing	-1.7%	N.A.

Useful Addresses:
Banque Nationale de Belgique, 5 Bld de Berlaimont, 1000 Brussels (32 2 221 21 11)
British Chamber of Commerce, 30 Rue Joseph II, 1040 Brussels (32 2 219 07 38)
Stock Exchange (Commission de la Bourse de Bruxelles), Palais de la Bourse, 1000 Bruxelles (32 2 512 51 10)
Institut National de Statistique, 44 rue de Louvain, 1000 Brussels (32 2 513 73 04)
Federation des Entreprises de Belgique (Belgian Employers' Association), 4 rue Ravenstein, 1000 Brussels (32 2 515 08 11)
Chambre de Commerce de Bruxelles, 500 Avenue Louise, 1050 Brussels (32 2 548 50 02)
Antwerp, Kamer Van Koophandel, Markgravenstraat 12, 2000 Antwerp (32 3 232 22 20)
Liege, Chambre de Commerce et d'Industrie, Rue des Mineurs, 4000 Liege (32 41 23 52 11)

THE 175th anniversary of the Battle of Waterloo was re-enacted at Butte de Lion this month.

Several thousand spectators, including the current Duke of Wellington who still owns some of the battlefield, were expected at last weekend's celebrations.

It was the seventh re-enactment of the June 18, 1815 battle, but by far the most ambitious and heavily sponsored. This year's battle had a budget of about BFr 2.5m (£500,000) and brought together some 3000 participants from over a dozen countries including the Soviet Union, East Germany and Czechoslovakia. Television companies in east and west Europe as well as North America, Sabena, Generale de Banque and the Communes of Waterloo and neighbouring towns were the principal patrons.

Spectators were able to imagine the Duke of Wellington saying: "They have spoiled my battlefield," as he stared up

Eugenie Maechling on a 175th anniversary

Tourists' Waterloo

at the Butte de Lion, the 200-ft high mound that Dutch troops raised to mark the spot where the Prince of Orange was wounded during the battle.

Eyesore it may be, it is still the best place to see both the grass and cornfields where Napoleon met his final defeat and to watch him being defeated all over again.

Curiously enough, the prime mover behind the 175th re-enactment was the Napoleonic Association of Great Britain. Director Mr Philip Coates-Wright co-ordinated the international participants.

Typically, about 30 "infantrymen" from groups to represent the original regiments. Each participant provides his own uniform but the club

relies on sponsorship to stage the big event. Founded in the early 1970s, the 400-member association has made contact with similar Napoleonic battle groups that have sprung up near sites of famous battles.

The Napoleonic Association staged its first re-enactment in 1979, quite independently of the town of Waterloo which subsequently became an active promoter of the event. Waterloo councilman Mr Maurice Gerard invited participants from the USSR and east Europe to the 1985 re-enactment through contacts between the Wellington museum in Waterloo and museums at other Napoleonic battle sites such as Austerlitz, Leipzig and Borodino outside

Moscow.

This year, the Soviet Union fielded about 150 participants in four regiments: the 1st Polish Hussar Regiment and the Lithuanian Uhlan (Lancers) Regiment from Latvia and Lithuania; the Kiev Grenadiers from Kiev, under the command of a Russian Army officer; the Lifeguard Preobrazhenski regiment from Leningrad; and a regiment from Moscow.

East Germany has sent about 250 participants, mainly from Leipzig in the form of the 6th French Light Infantry, the 2nd Prussian Infantry and the Tschernigow Grenadiers, a Russian regiment.

From Jena came the 18th Ligne (French) regiment and

the fourth Cuirassiers on horseback. Czechoslovakia was able to send the 90-strong Austro-Hungarian Infantry of Ostrava and Slavkov u Brna, better known as Austerlitz where Napoleon had his famous victory over the Austrians and Russians in 1805.

Western Europe was well represented by infantrymen from Italy, Switzerland, France, the Netherlands and Belgium while, for the first time, Canada sent 200 red coats to "help the Allies."

The Commune of Waterloo provided about 200 horses for the small group of cavalrymen drawn from various countries. The organisers set out to exactly recreate the battle, but the movement of troops inevitably seemed chaotic at times.

But that should not stop the Commune of Waterloo and the Napoleonic Association from launching another spectacle in a few years, perhaps in 1992 to celebrate the contemporary unification of Europe: something that Napoleon was prevented from achieving.

Why do major companies invest in Belgium?

DIGITAL - DOW CHEMICAL - DOW CORNING - DUPONT DE NEMOURS - DURACELL - ELF - FISHER PRICE - FLAKT - FORD - GENERAL BISCUITS - GENERAL ELECTRIC - GENERAL MOT GERVAIS DANONE - GULF - HENKEL - HEWLETT PACKARD - HEXCELL - HOECHST - HONI EYWELL-BULL - IBM - ICI - IKEA - ILFORD - MARANTZ - MARTINI & ROSSI - MARUBENI MASTERFOODS - MATSUSHITA - MAZDA - MC KINSEY - MEMOREX - MERCEDES BENZ - MI MOBIL - MONSANTO - NGK - NISSAN - NIXDORF - OLIVETTI - PANASONIC - PENTAX - PEU OT - PHILIPS - PHILIP MORRIS - PIONEER - PITTSBURGH CORNING - PROCTER & GAMBLE RANK XEROX - RAYCHEM - RENAULT - REYNOLDS ALUMINIUM - RHONE POULENC - ROC AMSONITE - SANYO - SCOTT - SEAGRAMS - SHELL - SIEMENS - SUZUKI - TEXACO - THO

To share in Europe's future

The European single market of 1992 will undoubtedly have an impact on the world economy. The international companies listed here have already anticipated the emerging opportunities and they have already established firm business bases in Belgium, the home of the European Community. And your company could do the same.

There are many other good reasons to choose Belgium as your prime location in Europe. An exceptional geographical situation, an outstanding communications network, political

stability, highly skilled human resources and a host of financial and fiscal incentives for foreign investors.

To find out more about investing in Belgium, just ask for your free information pack.

You can contact the nearest Belgian Embassy or General Consulate and, the Service for Foreign Investors - Ministry of Economic Affairs - de Meeûssquare, 23 - 1040 Brussels - Belgium - Phone 32.2.511.19.30 - Telex 61923 ecoext - Fax 32.2.514.03.89.

John J. J. J.